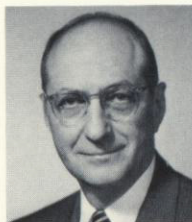


ANNUAL REPORT '73 PHILADELPHIA ELECTRIC COMPANY



BOARD OF DIRECTORS



*Gustave G. Amsterdam
Chairman of the Board
Bankers Securities Corporation



*George H. Brown, Jr.
Director, Girard Trust Bank



William T. Coleman, Jr.
Senior Partner, Dilworth,
Paxson, Kalish, Levy
& Coleman



*James L. Everett
President of the Company



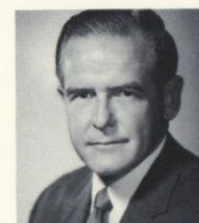
*Robert F. Gilkeson
Chairman of the Board and
Chief Executive Officer
of the Company



*William W. Hagerty
President, Drexel University



*William G. Hamilton, Jr.
Chairman, American Meter
Division of Singer Company



Robert D. Harrison
President, John Wanamaker,
Philadelphia



Paul R. Kaiser
Chairman of the Board
Tasty Baking Company



Vincent P. McDevitt
Former Senior Vice President
of the Company



John R. Park
President, American Stores
Company

*Member of Executive Committee.

ON THE COVER

Peach Bottom atomic power station nears completion on the Susquehanna River. Commercial operation of the first 1,065,000-kilowatt unit is scheduled for the spring of 1974. Operation of the second unit is planned for the fall of 1974.

MANAGEMENT CHANGES

William T. Coleman, Jr. was elected a director on January 22, 1973.

On April 11, Roy G. Rincliffe retired as a director and Robert F. Gilkeson was appointed chairman of the executive committee; Wayne C. Astley was elected vice president of general administration, succeeding Charles W. Watson who was elected a senior vice president; John L. Hankins was elected vice president of electric production, and William L. Maruchi was elected vice president of electric transmission and distribution.

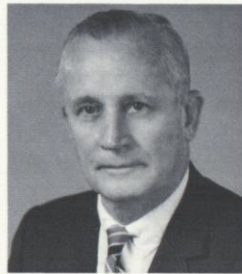
On July 1, Allan G. Mitchell retired as senior vice president, and Robert P. Liversidge retired as vice president of electric operations.

On October 1, Morton W. Rimerman was elected treasurer, succeeding George W. Miller who was appointed assistant to the vice president of finance and accounting.

Donald P. Scott and Joseph W. Ruff were elected assistant treasurers on February 26 and October 1, respectively.

OFFICERS

Robert F. Gilkeson
Chairman of the Board
James L. Everett
President
William H. Jones
Senior Vice President
Charles W. Watson
Senior Vice President
Henry T. Bryans
Vice President-Personnel and
Public Relations
Vincent S. Boyer
Vice President-Engineering and
Research
Edward G. Bauer, Jr.
Vice President and General Counsel
John H. Austin, Jr.
Vice President-Finance and Accounting
Martin F. Gavet
Vice President-Gas Operations
Clair V. Myers
Vice President-Purchasing and
General Services
William B. Morlok
Vice President-Commercial Operations
Wayne C. Astley
Vice President-General Administration
John L. Hankins
Vice President-Electric Production
William L. Maruchi
Vice President-Electric Transmission
and Distribution
Vincent J. Walsh
Secretary
Morton W. Rimerman
Treasurer
James D. Lynch
Assistant Secretary
Donald P. Scott
Assistant Treasurer
Alfred M. Newill
Assistant Treasurer
Joseph W. Ruff
Assistant Treasurer



William H. Jones
Senior Vice President



Charles W. Watson
Senior Vice President

ANNUAL REPORT 1973

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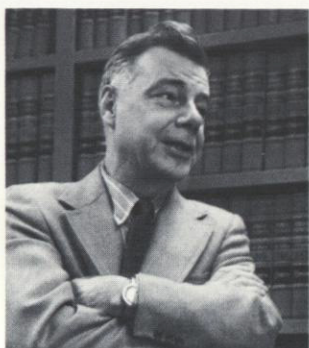
ANNUAL MEETING

The annual meeting of the shareholders of the Company will be held on April 10, 1974, at eleven a.m., in the Crystal Ballroom of the Benjamin Franklin Hotel, Ninth and Chestnut Streets, Philadelphia. Shareholders of record at the close of business March 1 are entitled to vote at this meeting.

Notice of the meeting, proxy statement, and proxy will be mailed under separate cover. Prompt return of the proxies will be appreciated.

GENERAL OFFICE

2301 Market Street, Philadelphia,
Pennsylvania 19101



Our 1973 annual report is built around a series of interviews with Philadelphia Electric's top managers. The interviewer is PETER FRENCH, a journalist with 25 years experience with Business Week magazine. He reviewed our operations as an outsider looking in. He commented: "These are very exciting times for the Company, with the fuel crisis and the push to get the big nuclear plants on the line. I was surprised to see how coolly and calmly these people went about their work."

FINANCIAL HIGHLIGHTS

	1973	1972	Percent Increase or (Decrease)
Operating Revenue	\$766,657,684	\$685,038,516	11.9%
Operating Expenses, including Fuel, Maintenance, Depreciation, and Taxes	618,234,328	541,490,781	14.2
Operating Income	148,423,356	143,547,735	3.4
Other Income, including Allowance for Funds Used during Construction	64,760,357	42,210,508	53.4
Income Before Interest Charges	213,183,713	185,758,243	14.8
Interest Charges	90,316,711	77,784,306	16.1
Net Income	122,867,002	107,973,937	13.8
Dividends on Preferred Stock	27,600,281	21,558,389	28.0
Earnings Applicable to Common Stock	95,266,721	86,415,548	10.2
Dividends on Common Stock	78,350,381	67,735,082	15.7
Balance to Retained Earnings	\$ 16,916,340	\$ 18,680,466	(9.4%)
Shares of Common Stock—Average	47,846,776	41,505,013	15.3
Earnings Per Average Share	\$1.99	\$2.08	(4.3)
Dividends Paid Per Share	\$1.64	\$1.64	—

Common stock earnings in 1973 improved to \$95.3 million from \$86.4 million in the previous year. Earnings per average share in 1973 declined to \$1.99 from \$2.08 in the previous year due to a 15-percent increase in the average number of shares outstanding.

Dividends paid on the common stock amounted to \$1.64 a share, 43 percent of which was not taxable for federal income tax purposes.

Operating revenue rose \$82 million over 1972 to a new high of \$767 million.

Rate increases during 1973:

Service	Annual Revenue	Effective Date
Gas	\$12,000,000*	February 15, 1973
Electric	32,000,000	August 21, 1973
Steam	1,550,000	August 31, 1973

*Subject to refund pending final order.

Rate increases pending:

On January 31, 1974, the Company filed for a \$136-million electric rate increase in three parts which would become effective on April 1, 1974 if not suspended by the Pennsylvania Public Utility Commission. A request for a \$1.9-million electric rate increase by the Company's Maryland subsidiary has been suspended by the Maryland Public Service Commission until May 4, 1974.

Operating expenses were up 14 percent, primarily due to higher costs of fuel, labor, and material.

Investment in new facilities was \$494 million, which increased total investment to \$3 billion.

Long-term financing needs during 1973 were met by the sale of a \$100-million 7½% mortgage bond issue, a \$75-million issue of 7.325% preferred stock, and \$149 million of common stock.

TO OUR SHAREHOLDERS:

In 1973 your Company's total common stock earnings were \$95 million, an increase of 10 percent over the previous year. Under normal circumstances this could be considered satisfactory. However, in order to provide for future growth in meeting our obligation to serve the community's demand for services, we sold more than seven and one-half million shares of common stock, which resulted in a 15-percent increase in shares outstanding, so that earnings per share were reduced to \$1.99 from \$2.08 in 1972.

This additional new capital, together with \$175 million of new bonds and preferred stock bearing a composite cost of almost 7½ percent, constituted the outside financing required to meet the needs of our construction programs.

From time to time I have been asked to state the philosophy of the Company's management. Recently, a statement to which I fully subscribe came to my attention. It expresses more succinctly than I can say, the philosophy of the Company. Let me quote:

"A utility company has an obligation to meet all demands for service at all times, at reasonable service standards, regardless of the monetary or fiscal climate and regardless of the fact that the magnitude of expenditures is disproportionate to the additional revenues to be derived at existing prices.

"In the unregulated business endeavor, a reduction in the quality of service, the amount of service, or a decision to defer major capital expenditures minimize the risk to which investor-provided capital in such enterprises is exposed.

"Even some governmental agencies,

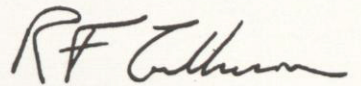
such as regional transit authorities or the postal department—certainly endeavors affected with the public interest—can and do cut back when financial resources are inadequate. Since investor-owned utility companies are not afforded, nor do they seek, this mode of operation, necessity as well as fairness dictates they be afforded an opportunity to achieve income levels at least adequate to their required tasks."

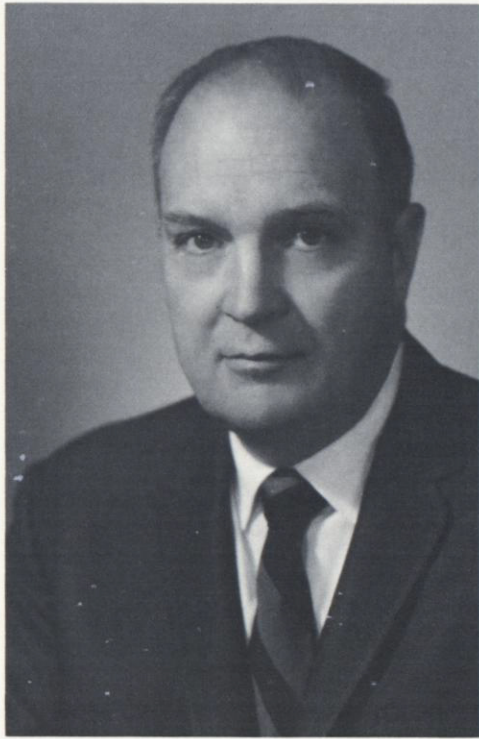
Ours is a dynamic, growing business, and the biggest problem today is in obtaining a fair return on your investment. In this respect, we have been diligent in asking for and getting rate relief, and I foresee additional rate increases in the years to come, as required. In the meantime, we have no intention of cutting back on the quality of our services.

In 1973 we continued our construction program, and will see a number of projects completed in 1974. The finishing touches on Peach Bottom nuclear Units Two and Three, and continued expansion at Eddystone station were accomplished; and the installation of new internal combustion units at Croydon was started. We anticipate a growth of 5 percent in our peak load in 1974, which will justify the investment in this new capacity.

Our Company has been a pioneer in innovation for many years, and this year we have again departed from tradition. We asked Peter French, a writer and editor with 25 years of experience in the business world, to interview our top officers and to help us put together this annual report. We think this unique approach will help you find the report more interesting.

March 4, 1974


CHAIRMAN OF THE BOARD



LOOKING AHEAD An interview with James L. Everett, President

Mr. Everett, I'd like to ask you how you feel about 1973? It was a difficult year in many ways. Then, what do you see coming up in the years ahead?

We've never had more problems, but we came through the summer, one of the hottest on record, without a crisis. The figures show strong growth in everything except earnings per share. That's our real big struggle—to get our earnings per share up to where we can enhance our dividend.

Now we face a whole new set of problems with a growing shortage of natural fuels—oil and gas. We've got to redouble our efforts to develop nuclear fuel.

You were one of the pioneers among utilities in nuclear power, weren't you?

Yes. It's been a long struggle, years of struggle. But we're out of it now. We're bringing in Peach Bottom Two, a major nuclear plant. We're struggling mightily to clear away the licensing hurdles on our Limerick plant. I hope we're on the last mile of that. Getting these big nuclear plants operating is the most important thing we are doing.

To give you a measure of the importance of a plant like Peach Bottom or Limerick—for every year we are delayed on one of those plants, we have to burn between 20 and 30 million barrels of oil at other facilities. The entire market for heating oil in the Philadelphia Electric area is only 14 or 15 million barrels. So for every year we are delayed, we burn almost twice as much oil as is burned in

every home that uses oil in our area.

What about fossil fuels?

Our fuel cost in 1968 was 31 cents per million Btu (British thermal units). The figure at the end of 1973 was 64 cents for coal and \$1.20 for low-sulfur oil.

Coal is an alternative, but we can't get enough coal. We have two plants for which we have contracted for coal. We are getting only about 80 percent of our commitments.

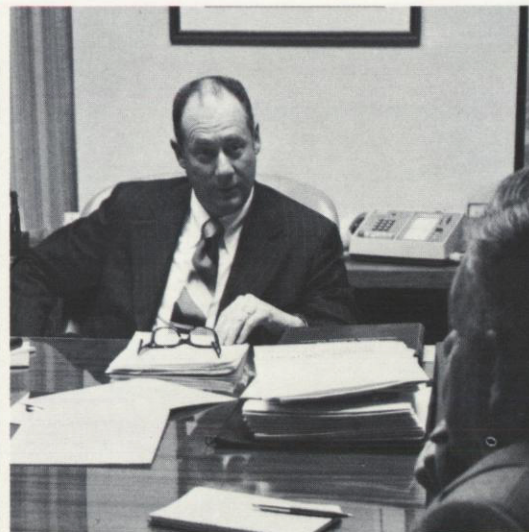
We've got to develop systems of removing sulfur from coal to the point where coal is a real alternative. I'm convinced that we're not going to be able to burn oil in new base load plants.

We have a sulfur-removal system under development—and it's a good one. We don't yet know how reliable it will be. But I have great faith that we can make anything work if we have to. With that process working, we could give the mine people the long-term commitments they need to develop their resources. That would bring coal back.

How do you feel about the next few years?

The real questions for us in the next few years have to do with improving our earnings so that we can attract the capital we need in tremendous quantities . . . and maintaining a reasonable posture in everything we do so that people know we're doing the best job we know how to do.

We're going in for rate increases. It



isn't the most popular thing we can do. But we don't have the option of not doing it.

THE YEAR 2000

What do you see when you look well down the road?

Looking way ahead, you can't help but be impressed by the prospect that the electric utilities are going to emerge from this energy transition as much stronger, much more growth-oriented, a much more important part of the energy spectrum.

When we have adjusted, we will have learned that we have to develop our nuclear power and our native resources of coal. We will begin to substitute electric energy for many of the traditional roles filled by oil and gas.

We'll have much more mass transit, much of which can be electric. We'll have electric autos—no question.

In every activity where we have used oil or gas, people are going to ask themselves if they can do it more efficiently with electricity.

So we're going to see an increase in the pressure to use electricity.

Have you studied the problems of resources?

Yes—and I do believe we'll have the resources. Let me go over them.

Land. We occupy only about 1 percent of the industrial land in our area. We have 11 power plant sites. Between now and the year 2000, we will retire five or

six of these plants, making the land available for new plants.

We'll probably need a dozen new plants between now and 2000. If half of these are built on sites we now own, we'll need only five or six new sites.

Air. With the judicious development of coal and with atomic power, we can substantially reduce the products of combustion we now put into the air. We expect to reduce air pollution—even if we grow by a factor of six. We have about 6000 megawatts of capacity now. We expect we'll have 36,000 by the turn of the century.

Let's look at water. If we used evaporative cooling towers, we would need to evaporate about 500 million tons of water in the year 2000. That is about 1 percent of the annual flows of the streams in our service area.

But we are developing a dry cooling process—discharging heat directly into the air. We also have coming along the high-temperature gas-cooled nuclear plants with a gas turbine cycle—and they eliminate the need for water. So water is not necessarily a restraint.

Finally, with coal and nuclear power, we'll have all the fuel resources we need out to 2000—and well beyond.

This is not to say that these years ahead will be easy. We are coming into a period of tremendous change. But we have a great bunch of people in this Company. They are our greatest asset. We have very loyal shareholders. They know us and take up our new issues regularly. They are a tremendous asset.

A FUTURE FOR THE CITY

What are your other concerns? What do you think about when you leave your office?

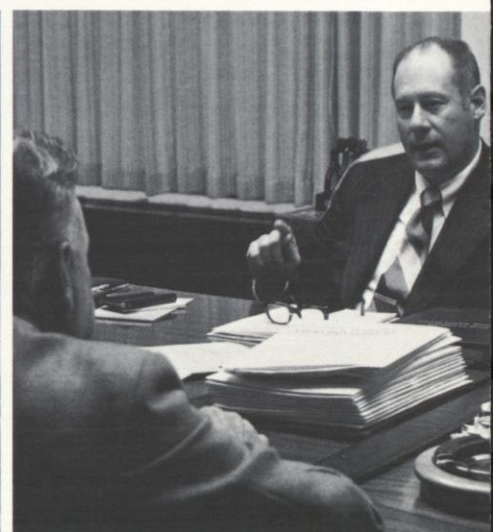
When I have any time left from whacking away at Company problems, my concerns are with the community.

I think Philadelphia is a great, great city. I'd like to see it pull itself up by the bootstraps—and I think it has a lot of opportunities.

The chief problem, as I see it, is to build an economic base. It's far easier to solve problems when you can use your own money rather than depend on Washington or Harrisburg. That means, to me, bringing middle and upper income people back to the city. We've made great progress. The Society Hill project has really transformed a blighted area. New apartments fill up fast. But we have a long way to go.

Of all the things I do, though, the one closest to my heart is the Electrical Academy. We helped set up a program to train kids for jobs in the industry. It's half academic, half training. The city high school has perhaps the highest drop-out rate—and these kids are potential drop-outs. We've just graduated our first class and every one went on to a job or to higher education.

True, it's a small project, only 25 kids a year. But it's a partnership, people working together. That's the way to solve problems.



FINANCE AND ACCOUNTING John H. Austin, Jr., Vice President

THE QUESTION IS EARNINGS

Mr. Austin, figures reflect a company's problems and performance. Philadelphia Electric's earnings per share have been flat for some years. Capital expenditures have risen rapidly from \$80 million in 1965 to about \$500 million today. The system is growing rapidly—and the growth promises to accelerate. Would you tell us how you see these things affecting the Company?

Our earnings per share for 1973 were \$1.99. They have been flat, essentially, since 1965. And we haven't raised our dividend since 1967.

Our earnings per share are not only flat—they are grossly inadequate.

Our book value per share is about \$20, which means that we are earning only about 10 percent on equity. This is less than the Pennsylvania Public Utility Commission has found fair in every recent case. It is obviously less than the investor on the open market finds fair to meet his needs.

These inadequate earnings have done several things:

- They have not provided enough cash internally to help finance construction.
- They have meant that raising capital in the market is very expensive.
- They mean, finally, that management just does not have the economic motivation it should have to invest in new plant and equipment. We need that motivation to invest just as does management in any other business.

But we have bit the bullet and gone ahead to build plants when the economic and business facts of life would have told us not to do it.

Utilities, as public service corporations, have gone ahead. They have met the load, they have new plants in all stages of design and being built.

This means something important—very important in these times of drastic oil shortages—to the people served by Philadelphia Electric. We have plants with, in round numbers, 6000 megawatts of nuclear generating capacity in various stages of design and construction—none of which will burn oil.

My question as a financial man is—

having made these investments, having built the plant to meet our customers' needs year after year—when are we going to be paid?

Would you answer your own question?

It's going to take a while with regulatory delays. In the period since 1965, our earnings should have risen to about \$2.50 a share. That's within the range of what the Public Utility Commission has repeatedly said we are entitled to.

Now, we have a plan, and it is a "do-able" plan, to raise our earnings:

- Step one is to continue seeking rate increases—promptly, so that we do not lose ground.
- Secondly, we've got to get our big nuclear plants running and bringing in the kind of efficiencies they were designed to provide—and reduce other costs where we can.
- Thirdly, we want to reduce the lag in regulatory action—where we spend the money now and it is two years before we get it back. We have gotten, for example, a new fuel clause so that we can pass on all increases in fossil fuel costs with a lag of only two months, rather than four.

What are the prospects for raising capital?

We need to raise about \$500 million a year.

Let me say, first, that our experience has been very good. It gives us confidence

for the future. Beyond that, every study that we know of suggests that capital will be available in the market place. The only question is whether we can earn enough money to make our securities attractive.

To put it another way: The key to financing the great growth we expect is our ability to earn an adequate return—earnings per share.

I'm optimistic that we can do it.

It would be a great deal easier if we could generate more cash internally—use retained earnings and depreciation to pay for, say, 40 percent of our capital expenditures. Today it is about 20 percent.

If we could do that, we would not have to raise as much in the securities markets. Our shareholders' equity would grow a lot faster.

We have very loyal shareholders. Five years ago, we had about 120,000 shareholders. Today the number is about 210,000.

Every common stock issue we have sold has been fully or oversubscribed, mostly by existing holders. This has been one of the great strengths of our Company.

There's another thing that may help us. Electricity is underpriced today. It is going to be even more underpriced as the prices of other forms of energy skyrocket on world markets. That's a major plus factor.

So I'm confident that we can raise the capital.

What has been done to help shareholders?

One thing some of our shareholders may not be fully aware of—we are operat-



ing on, and for years have been operating on, a set of sound financial policies designed to help our shareholders.

In the years when we have had to raise a lot of money, we have sold common and preferred stock as well as debt issues. In fact, we have met about half of our needs by selling equity issues. We have actually reduced our debt ratio.

This means that we have maintained our credit rating, which is all-important in keeping down the cost of selling securities.

And we have maintained a strong capital structure.

The result is that prospects for our shareholders are good. They will reap benefits when our earnings rise because we will not need large new stock issues to catch up.

Let me say another thing in just a few words.

We have become a "normalizing" Company. That means that we are providing funds now to cover taxes, temporarily deferred taxes, when they come due in the future. This holds down earnings now, but it gives us some money to use in the business, and it strengthens our shareholders' equity.

One question that shareholders always have is—when will dividends go up?

On that, let me say first that we feel we've done well to maintain our dividend, to protect our shareholders, during difficult years. There have been times when it might have been tempting to reduce the

dividend. We have not done it.

We are optimistic about the future. For the long run, I'm very optimistic. Rebuilding earnings, and an increase in the dividend that this will make possible, are our number one priorities and, I believe, are attainable goals as we enter the nuclear age.

Above all, though, I'm confident because in these years, when you might say we have been building our house, we have built on solid financial foundations.



SECURITIES SOLD DURING 1973

January

Mortgage Bonds

7½% series,
due 1999..... \$100 million

April

Common Stock

2,200,000 shares
sold directly to
underwriters..... \$ 47 million

Preferred Stock

7.325% series,
750,000 shares..... \$ 75 million

September

Common Stock

5,138,119 shares
sold through sub-
scription rights..... \$ 96 million

In addition \$6.3 million was raised through our dividend reinvestment and employee stock purchase plans.

* * *

Financing for 1974 began on January 16 with the sale of \$125 million of 8½% mortgage bonds maturing in 30 years. Present plans call for the sale of additional issues of mortgage bonds, preferred stock, common stock, and industrial revenue bonds.



ELECTRIC PRODUCTION John L. Hankins, Vice President

EVERY DAY IS A RACE

John, you'll be the fireman who has to deal with fuel shortages. Clearly, the shortage may go on for years. Would you tell us the prospects?

It's our great concern, our primary concern, to have available at all times enough capacity to meet our customers' requirements. That's fundamental in our business.

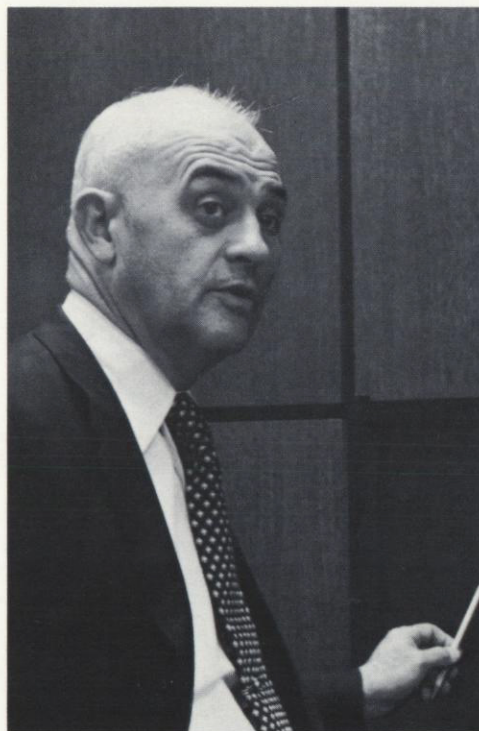
It's also the race you run, isn't it? A power plant looks like a giant, like the Rock of Gibraltar. But you can lose a generator—say through a short circuit—in seconds. If demand ever catches up to supply, you're in trouble.

Well, in this business you get accustomed to crises. You're like a racehorse at the starting gate—all the time. Our system is designed to take care of the loss of a generator. But a fuel shortage is a different thing. It will make the race a lot tougher.

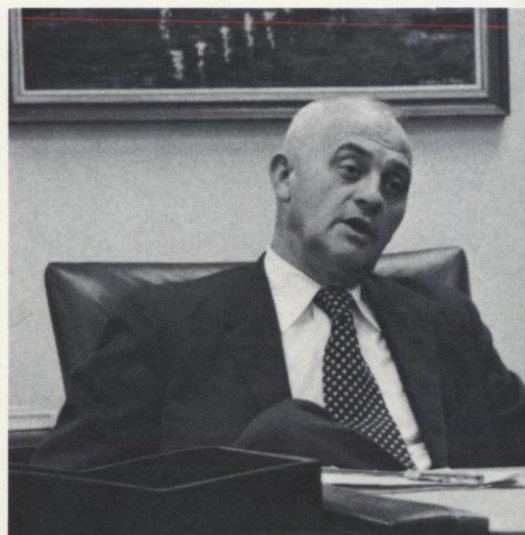
In 1973, we set another record for power output, generating 28.1 billion kilowatt-hours, 6.6 percent more than last year. That was because demand was heavy during the summer, the hottest summer since 1900. By December, though, we were running behind the year before. Our customers were conserving power.

But fuel shortages catch us in a difficult spot.

We cannot control, or even influence very much, the demands our customers make on us.



Photographs include control room at Peach Bottom nuclear power station (below) and headquarters of SAMAC—our new System Automatic Monitoring and Control System (opposite page).



Even if people did all that has been suggested in conservation—cutting out decorative lighting, sports events at night, even going to a four-day week—it would reduce our load only about 5 percent. However, to go beyond that would cut into the Philadelphia area economy, put people out of work.

On the other side, we're dependent on our fuel suppliers. Last fall one of our oil suppliers cut us off almost as soon as the Middle East boycott was announced. Another reduced his commitment by 30 percent, a third by 15 percent, and another supplier by 10 percent.

We could have offset that in part by burning more coal. We have three plants that we could switch to coal in a matter of days. But the problem there was that even before the crisis our coal suppliers could not meet their commitments. We were drawing down our stockpile.

I must say that, in the oil crisis, I'm very glad we decided three years ago to keep our Eddystone plant on coal. We made that decision so as to have a diversity in fuel sources. Of course, we're installing sulfur dioxide removal systems to comply with air quality regulations. But we're getting a big dividend now in having an alternative to oil.

We can also purchase power, chiefly from our partners in the Pennsylvania-New Jersey-Maryland Interconnection (PJM). This allows us to call on ten other companies with hundreds of generators. Those to the west of us largely burn coal. But they, too, can have their problems in a general shortage.

Our forecasts are that we can make it

through spring—if necessary, burning all the coal we can, drawing down our stockpiles of coal and using our reserves of oil. But this depends on everything going well.

In the long run, the only answer is to get our nuclear plants on the line. With Peach Bottom Two going into service, we will have another 1065 megawatts on the Interconnection. We should have Peach Bottom Three on line in the fall. Together, they'll be a tremendous help.

Will there be other benefits from these nuclear plants?

We need these nuclear plants for another reason—costs. Our fuel costs in 1973 were about \$145 million. By the end of the year, prices were skyrocketing.

Also, with these new plants on the line, we'll be able to retire older units. Some of them are fifty years old—and very costly to run.

Finally, the biggest thing of the year was SAMAC—our System Automatic Monitoring and Control system. It watches what is happening on the whole system. It helps us to make the best use of our most efficient equipment and provides for improved reliability and operation.

We were years in designing it and installing it. It will be more years before it is fully developed. But it is a major help right now. Incidentally, SAMAC was selected as one of the outstanding engineering achievements of the year in the Delaware Valley.

So, while the next two years will be rough, I have no doubt that the future will be bright.

NET GENERATING CAPACITY

(Kilowatts)

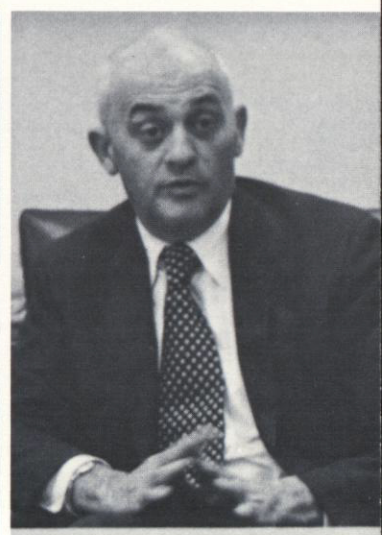
December 31, 1973

Coal Fired.....	1,532,000
Oil Fired.....	2,199,000*
Combustion Turbines (oil) ..	1,486,600
Nuclear.....	40,000
Hydro.....	512,000
Pumped Storage.....	880,000
Total in Service.....	<u>6,649,600</u>

Planned Additions

Nuclear.....	6,503,000
Oil Fired.....	800,000
Coal or Oil.....	600,000
Combustion Turbines (oil) ..	432,000
Fuel Cells.....	52,000
Total Planned.....	<u>8,387,000</u>

*1,436,000 kilowatts can be converted to coal firing.



WE DELIVER THE PRODUCT

We in transmission and distribution, you might say, are shippers. We move the power from the generating plants to our customers. In the process we construct, maintain and operate a multitude of aerial and underground facilities.

An important job is to restore service. If there's a storm and customers are cut off, we get them back. We're responsible for providing reliable service at all times and to restore service rapidly anytime it is interrupted.

Perhaps the biggest job of all is fighting higher costs—and we're innovating in many areas to do that.

Tell us more on that, Mr. Maruchi.

Well, one of the biggest things is simply staying up with the changes. To take fullest advantage of new developments in the industry, we are constantly changing our methods of working—that's how savings can be achieved. So, we are continually training and retraining our people.

We are increasing the capacity and efficiency of our distribution system—raising distribution voltages from 4000 to 13,000 and 34,000 volts in less than ten years. Each level requires a change in work practices, tools and equipment and of course, additional training.

The trucks used for line construction and maintenance are very different from what they were ten or fifteen years ago. Many trucks have buckets, or insulated platforms, to raise the men to overhead lines, others have augers to drill holes for the poles and grabbers to put the poles in the ground. The line truck is often called a traveling shop. The crew can do almost any job in the field including underground work. Some line trucks, now on order, will be equipped with radio control facilities for remote operation of the boom.

It sounds as if you have done some pioneering?

Yes, it used to be, for example, that when a crew had to work on a high voltage transmission line, that line had to be de-energized, the power cut off. That is sometimes difficult to do these days. So we learned to do many maintenance jobs, such as replacing insulators, with the power on—and to do them safely. We've even moved a whole tower with the line energized.

What are the big changes you see coming up?

There are several that are important.

One problem we see is shortages of many of the materials we use—transformers, cable, steel products, almost everything. Even wood poles—and that's not one you would expect. But today poles are in short supply and their cost is soaring. This problem has the potential for causing severe construction delays.

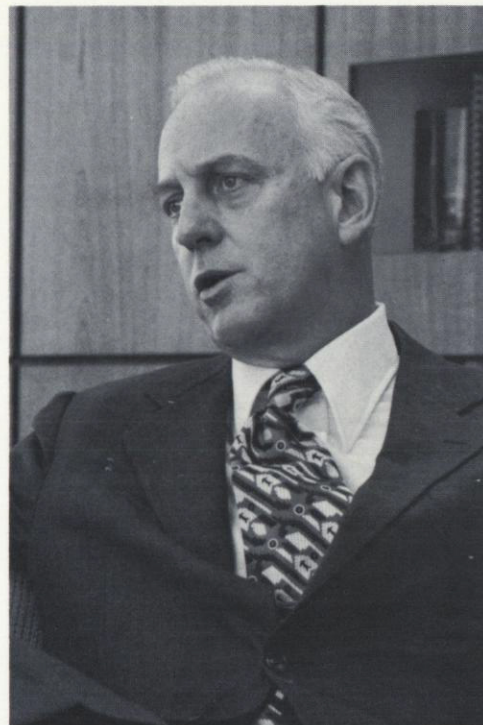
We have to find ways—substituting materials or equipment—to get the power where it is needed.

The trends toward underground distribution, higher voltages and higher load densities present a changing picture in crew capabilities—we must be flexible in crew operations for best response to day-to-day circumstances and also to emergencies.

We will soon have an automated system for managing distribution construction work. Now we have a multitude of clerical operations for design and detailing instructions. We'll be using computers to do that faster and better.

In the same way, we hope to do today's job better by automating restoration of service. We are putting into the computer all the information on how our customers are served—from what transformer and primary circuit. Then, when we have major storms, we can analyze the trouble much more rapidly and pinpoint crew assignments to restore service.

So that really is the job—counter the continuing rise in costs by finding better ways of doing the job.



THE BROADER VIEW

We have to worry about the fuel crisis and we have to worry about meeting the load. Those are the concerns of Philadelphia Electric and of the Interconnection.

Mr. Astley, how are you interconnected with other utilities?

We are part of the Pennsylvania-New Jersey-Maryland Interconnection, which includes ten other companies and serves 21 million people from Erie, Pennsylvania, to the tip of the Delmarva Peninsula, and the District of Columbia. Thousands of miles of transmission lines link more than 500 generating units at more than 100 stations.

Operating as one system, as PJM does, anything that we in Philadelphia Electric do, can affect other people. If we run out of fuel, we can hope the other companies can supply us. In any case, we operate as one system. We commit our resources, generating capacity and fuel, together. We will meet emergencies, a fuel shortage or failure of equipment, together.

This is typical of our planning at the time of summer peaks when the air conditioning load is very heavy. We can draw on the whole system for generating capacity. We act together in reducing voltage, if we are forced to, or in appealing to the public to reduce demand.

It's also the way we'll operate in this fuel shortage. We'll work together to conserve fuels and we will work together if there's an emergency.

PJM has transmission lines which tie into other systems in New England, Canada, Ohio, Virginia, and other areas. In an emergency it can move power over hundreds of miles.

How do you work together on planning?

For planning purposes, the PJM companies are members of the Mid-Atlantic Area Coordination Council (MAAC).

Our function in MAAC is planning and coordinating for reliability. This brings together all the generating companies in the area.

This means reviewing the plans of all the companies to be sure that nothing adversely affects the reliability of the system.

It is very hard to contain and confine

the flow of electricity. It tends to go where it wants to on the wires. We want to be sure that what one company does will not adversely affect others, giving them an overload in an emergency. That's how to prevent blackouts.

Would you give us your view of the years ahead?

Well, in planning, you have to get the capacity in on time. We have to look ahead for years to be sure that there will be enough capacity through all the systems to meet all the demands that may be made.

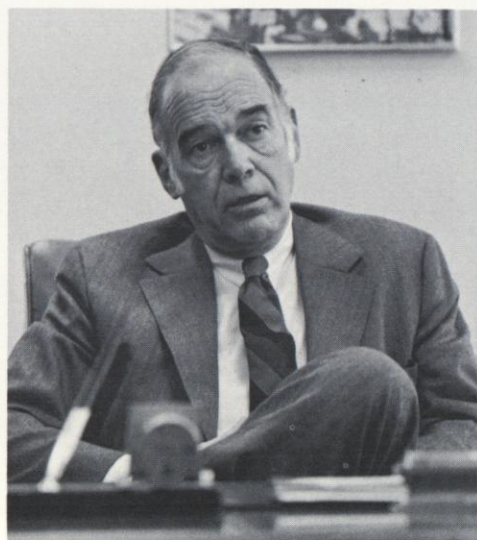
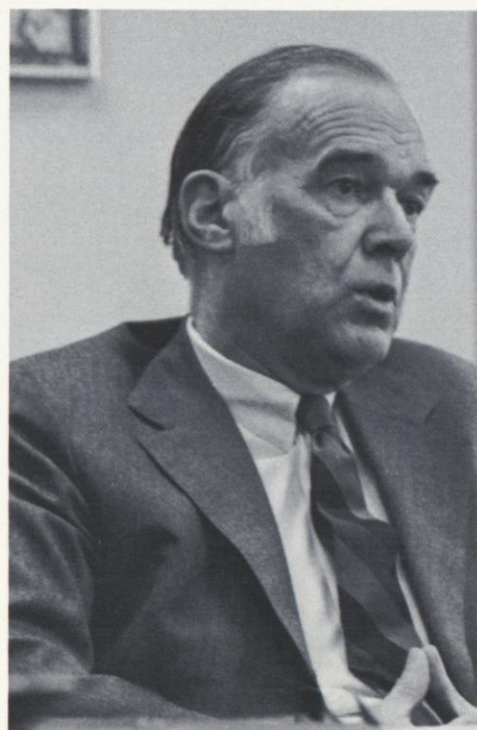
For example, we are building Peach Bottom and Public Service is building Salem, which is across the Delaware River from us. They should be connected with a 500,000-volt line. Even though the plant is in another state, it is very important to all the companies in the area to get that line. We have had trouble getting approval for that line. The state of Delaware would prefer an underwater cable, but there is no cable available that would be reliable at the voltage the system requires.

The Salem generating units are being delayed another six months. This moves the availability of that plant way out. This, for the system planners, means we have to contemplate supplying the area in other ways. If we turn to gas turbines and oil-burning plants, we will have to burn 2 million barrels of fuel oil for each month's delay of the project. We will probably have to supply the southern New Jersey area with great quantities of power from the coal-burning plants to the west of us. That makes our transmission system more crucial.

This happens through the whole system, of course. In our own case, we should have had the Limerick plant in 1975. But our applications to build it have been held up. We hope to get it in operation by 1979. Our transmission systems and our generating systems have been held up over the whole area.

I think we're going to have a tight situation for the next few years. I can look at a book that predicts the reserves we will have. The figures make you feel good. But then I realize how we have all these delays—and I wonder if we can get these units installed in time.

So the delays nibble away the future—for the companies and for the people of the area.



THE ELECTRIC ECONOMY

Mr. Boyer, more and more people talk of an electric economy. How will you meet the needs of such an economy?

First, let me tell you how we approach this. Our job is to develop a program for plant and equipment—and a capital budget to go with it—that will take care of the Company's needs for years ahead. At least ten years.

We research and design and engineer the facilities—generating stations, transmission lines, distribution systems. We have to think in terms of efficiency, environmental concerns—and of fitting it all into a budget.

We update these studies continuously. For example, we look at least every quarter at the relative advantage of nuclear and fossil fuels. We concluded long ago that nuclear would be better both for the environment and on the economics. As costs of fossil fuels go up, the edge shifts more and more toward nuclear.

The primary thing, though, is to be sure that we'll have the capacity to meet our customers' needs.

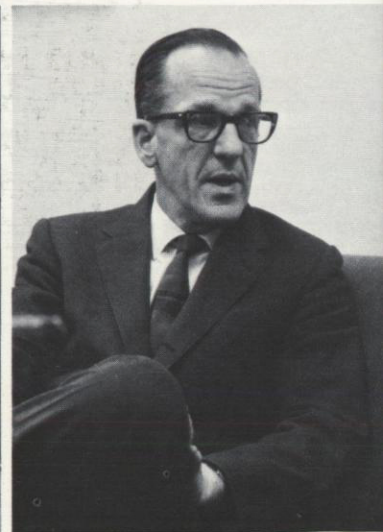
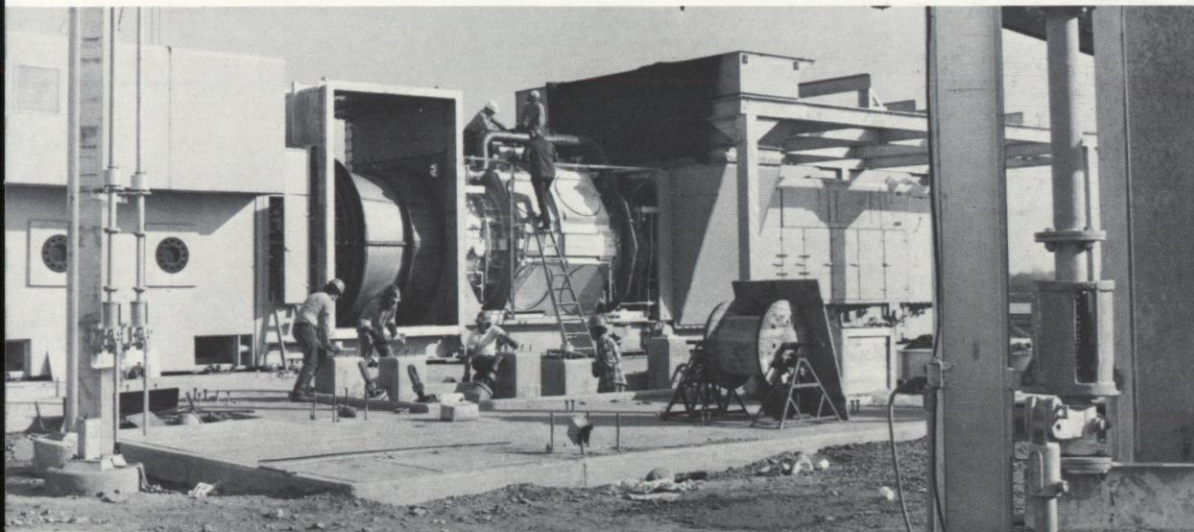
In the long run, though, you see us coming to much more of an electric economy?

Yes, we simply won't have enough gas and oil for all our needs. We'll have to generate power basically from coal and uranium.

Let me recommend a study by Donald Burnham, the chairman of Westinghouse.



Field photographs show construction of new Croydon generating station is well advanced.



He points out that, for most purposes, these fuels have to be converted to electricity to be usable. In fact, all of the alternative power sources—tidal, geothermal and the others—must first be converted to electricity before they can be used.

We'll have to go beyond that. We'll have to substitute electricity for many uses of gas and oil. We'll have to use electricity in much of our space heating and in many places in industrial plants.

We'll use the heat pump for space heating. It may be four or five times as efficient as gas or oil. We'll have more and more electric cars. They're being tested right now and you'll see a lot of them in ten years.

As Westinghouse sees it, the logic is overwhelming. If our country is not to settle for a low-energy, low-vitality life, we've got to turn to coal and uranium. In fact, whatever the source of our future power, there is no alternative to an electric economy—except a declining economy.

In short, we have to expect great growth.

If you think of the electric car, some of our own research fits right in with it. We've been looking for years for a system to read meters remotely—a device that would allow us to read the meter without sending a meter reader into the house. One of our own people thought of a system. It seems practical. It will work by sending a message back over our own power lines.

Now, if we can send a message one way, we can send one the other way. We

could use this device to turn on the battery charger for an electric car at night when, of course, we have excess off-peak capacity and could charge a lot of batteries.

Do you see problems in getting the resources you'll need in this area, a highly-populated part of the eastern megalopolis?

We're fortunate in that we're well along in developing nuclear power. With our three big plants—Peach Bottom, Limerick, and Fulton which is in the design stage—almost half of our capacity will be nuclear in about ten years.

We'll have to do many more things. We—the people of the area—will have to improve the management of water resources. We'll need to conserve the spring run-offs for summer use. Not only for the use of utilities but for recreational and other purposes.

We're working hard to develop systems and plants for dry cooling—so that we won't be dependent on the streams.

From all I can see, I think the Philadelphia area will have the resources it needs for at least 20 years—and probably well into the next century.



LIVING WITH SHORTAGES

Ours is the first department in the Company to really have to manage shortages. Our pipeline suppliers began to curtail us in the fall of 1971. It has become a way of life now.

Would you tell us how you cope with shortages, Mr. Gavet?

We haven't been able to contract for new customers since February of 1972—more than two years. During this past winter our supplies of natural gas were curtailed 12 percent.

We suffered greater curtailments to our pipeline supplies this past winter than we had anticipated because of a court decision last November that upset the system of allocating supplies. Before then, residential users—and our customers are primarily residential—had a priority. However, the court decision put all utilities and all customers on the same basis.

We attempted to buy 25 million gallons of propane to make up for this pipeline deficiency. Unfortunately, it was not available and we were only able to obtain about half that amount.

We have other resources, fortunately.

At the beginning of the winter, we had about 9 billion cubic feet of natural gas stored underground under contracts with our suppliers. We have a liquefied natural gas (LNG) storage plant of our own at West Conshohocken. We liquefy the gas and store it there—1.2 billion cubic feet. That filled up—for the first time—in November. We also have gas manufac-

turing equipment at our plant in Chester that can make a natural gas substitute from oil. Although this equipment was installed way back in 1929, we used it this winter, and believe me, we were mighty glad to have it.

Putting all things together, how did you make out this past winter?

We were fortunate that the 1973-1974 winter was not a cold one. By using the propane, the LNG, the gas-making sets in Chester, and the underground storage, we were able to supply all of our firm customers without interruptions or curtailment.

What's your outlook for the years ahead?

We will have some difficult years. No doubt about that.

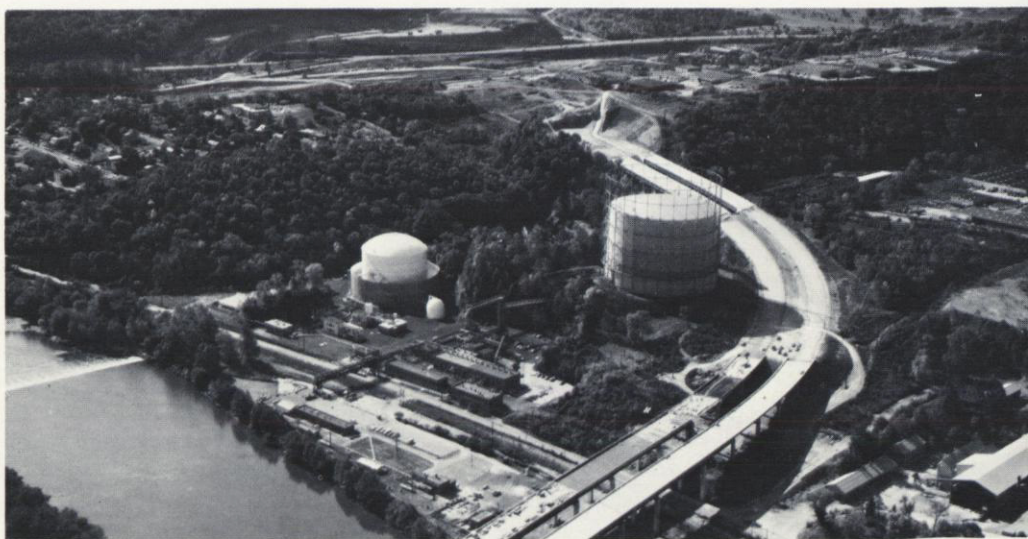
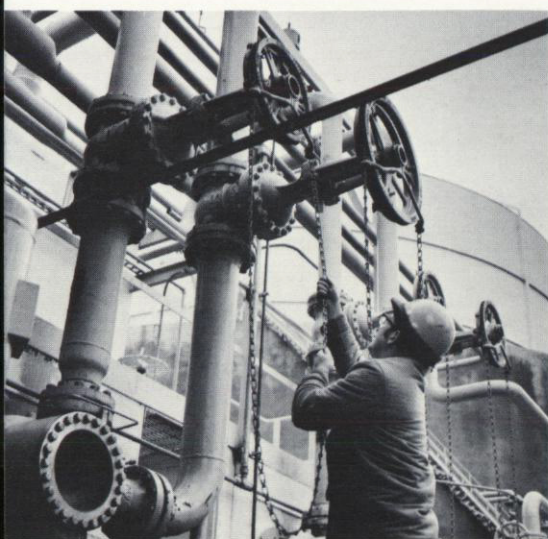
Our growth has been 6 percent to 7 percent a year.

Now we cannot expect any growth at all for four years. That will have its effect on costs. We do everything we can to hold them down. We had our first rate increase in 20 years last year—and there will be more. We don't like that, but we cannot avoid it.

We will have to postpone construction work, and we have not hired anyone to replace those lost by retirement and death. Because of the lack of new business construction work, many of our gas crews have been loaned to the electric department for the installation of electric underground facilities.

In the long run, I must say that I don't

Philadelphia Electric's modern gas plant at West Conshohocken.



think we will ever again be able to meet the needs of our customers with conventional underground natural gas.

To give us additional supplies in the future, we have contracted with Air Products & Chemicals, Inc. for the development of a synthetic gas plant. It's an unusual plant designed to produce a pipeline quality gas from crude oil, which will give us 75 million cubic feet a day.

We hope to have it in operation in 1977—and then we may begin to take on new customers.

But the years to come won't be easy?

No. You see, we have three basic supply problems in the gas business. First of all we have to have enough gas to meet the annual requirements of all our firm customers. The pipelines are our basic supply for that job, of course.

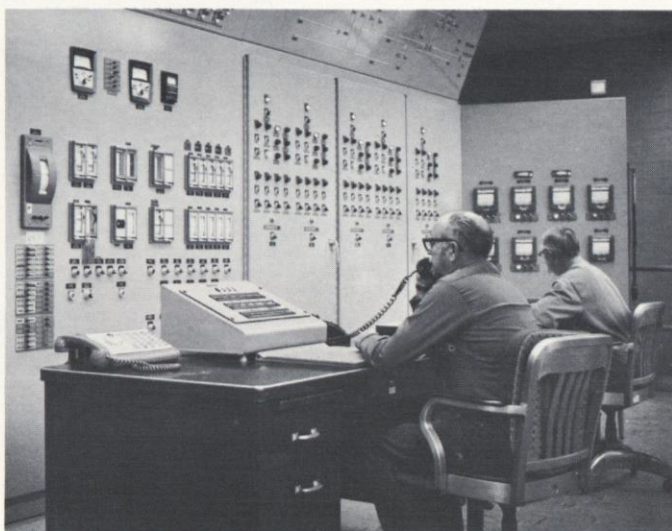
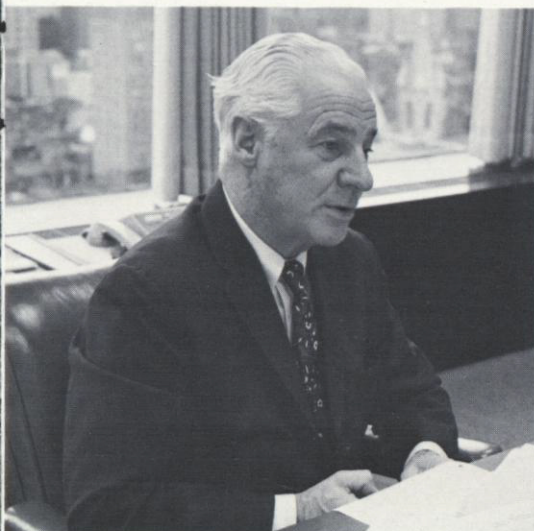
Then we must have enough gas for the winter, the heating season. We rely on underground storage and local production to help meet that demand. We have been working hard to get from our suppliers an additional 4 billion cubic feet of storage capacity for next winter. I sure hope that we are successful in this endeavor.

Finally we have to meet the peak days. A really cold day in winter, one of those extreme days, can triple the amount of gas people usually burn. We are now able to take care of that problem with our liquefied natural gas storage plant—and I'm very glad we have it.

We'll just have to go on wrestling with problems—and doing the best we can.



Control room at West Conshohocken (below center).



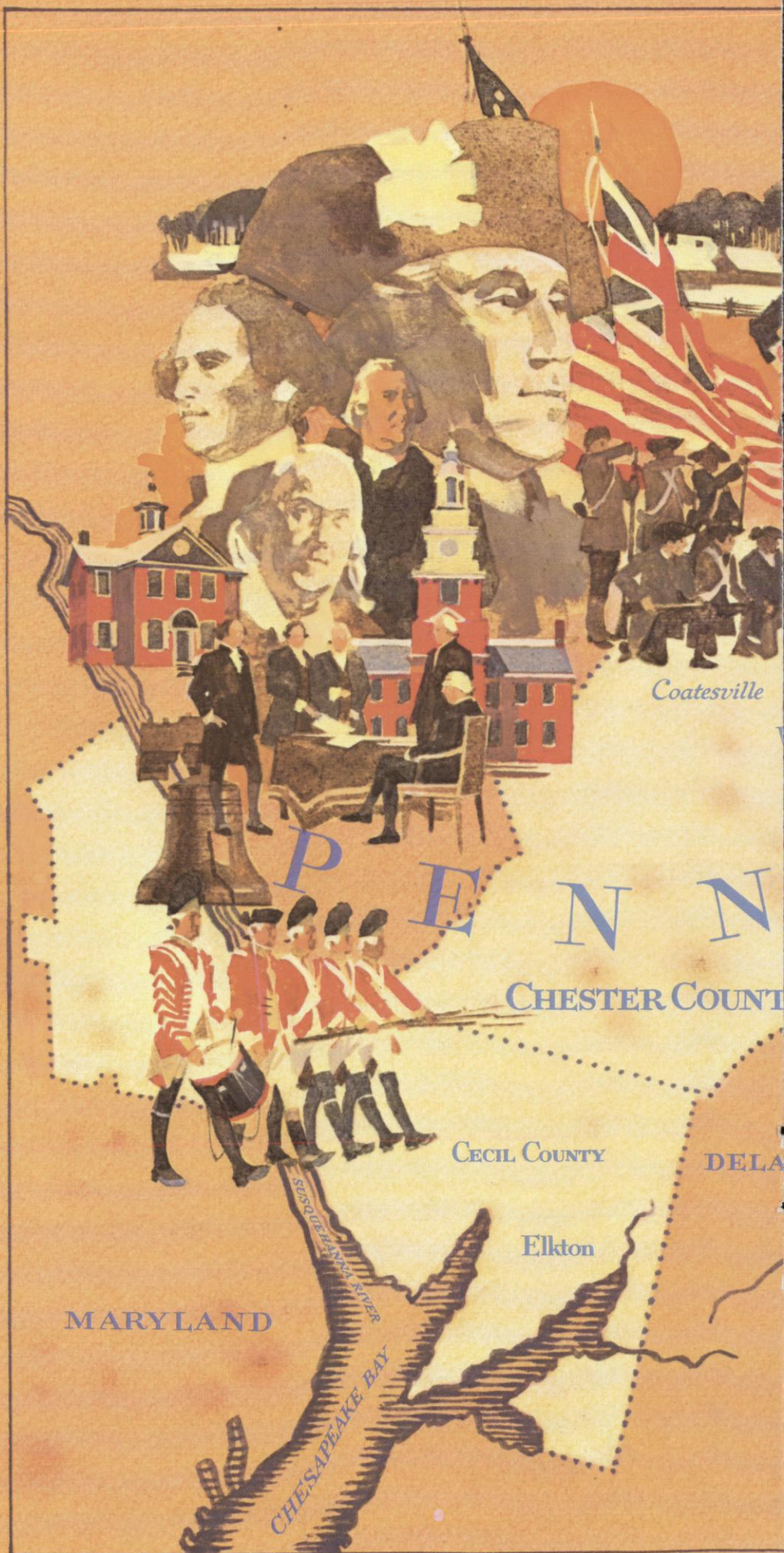
Independence Started Here

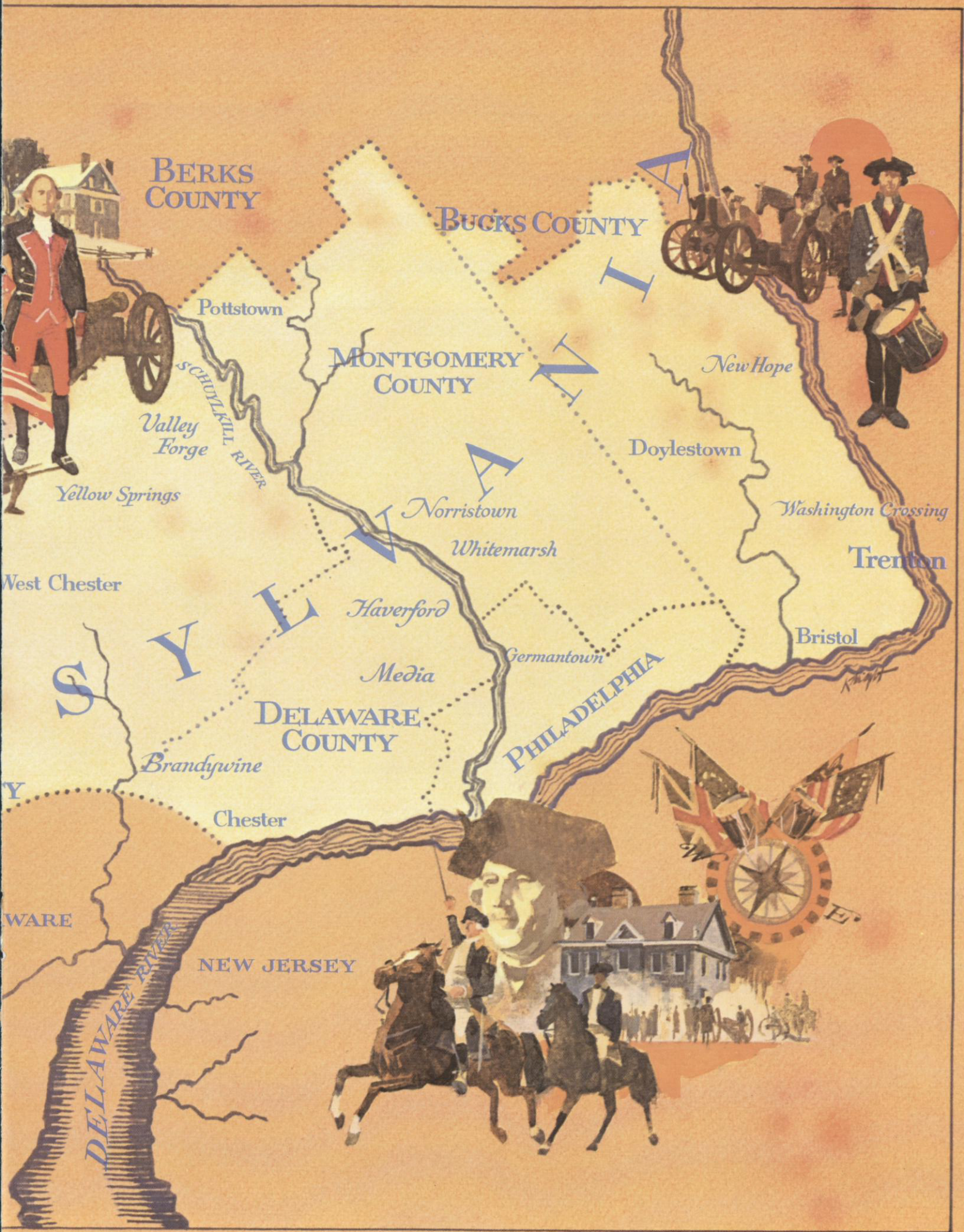
As the seat of government during the Revolutionary drama, site of the First Congress of 1774 and scene of the Declaration of Independence, Philadelphia played a central role in the unfolding of the struggle for our national freedom. Its surrounding areas, which together with the city now comprise Philadelphia Electric's Service Area, also witnessed many stirring events which led to the severance of colonial ties with Great Britain.

At one of the darkest hours of the war, Washington led an attack from Bucks County, crossing the Delaware on Christmas Night 1776 and routing the Hessians at Trenton. This victory, followed a week later by another triumph at Princeton, infused new life in the Patriot cause and was a momentous turning point in the Revolution.

Defeats and hardships, however, were soon encountered. In the late summer of 1777, a large British army sailed up Chesapeake Bay, disembarked at the Elk River in Maryland, and marched into Chester County, where it vanquished the American forces at the Battle of Brandywine. Washington retreated to Chester and then took up defensive positions near Whitmarsh in Montgomery County. Meanwhile, the road to Philadelphia lay open to the victorious enemy, who occupied the city for nine months.

His effort to dislodge the British thwarted at the bloody Battle of Germantown on October 4, 1777, Washington and his little army went into winter quarters at Valley Forge, twenty-two miles northwest of Philadelphia in Montgomery and Chester Counties. His wounded and sick were sent to a hospital at Chester County's Yellow Springs. Throughout the hard winter, the army was held together as a fighting force despite want of provisions and supplies. In May, 1778, it learned of the Franco-American Alliance that was to bring victory. Heartened by the news, the Americans left Valley Forge to pursue the withdrawing British and to fight them on even terms at Monmouth, New Jersey.





THE PHILADELPHIA ECONOMY—UP

Mr. Morlok, what's the outlook for the Philadelphia area? What kind of growth do you expect?

The Philadelphia area is unique, any way you look at it.

It is becoming a real focal point in the eastern megalopolis on the Atlantic seaboard. It is a transportation center, just midway between Washington and New York. It has lots of land available and a highly diversified economy—and both are very important.

We are seeing an influx of companies into the area, some shifting from New York and New Jersey. The sheer congestion there results in high costs, especially for general office and clerical operations.

This means many things for our Company. You can't have economic development in an area without utilities.

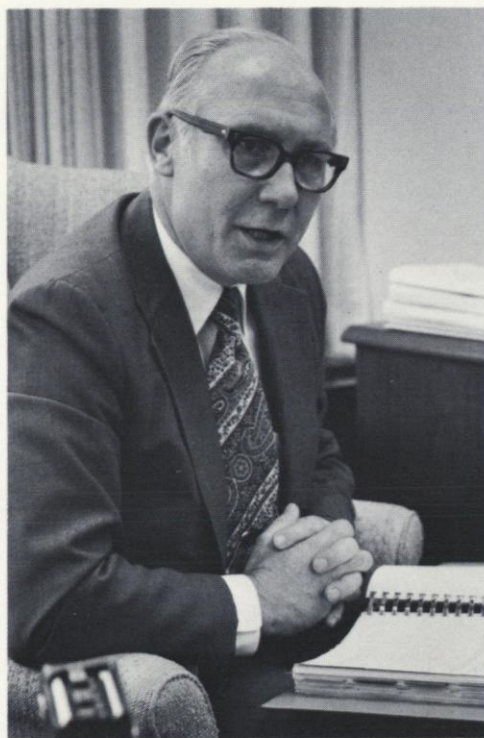
We have seen our electrical load grow at 5.8 percent a year compounded for the last ten years.

We are likely to have a slow year or two, but we expect the electrical load will grow at 6.7 percent a year in the future.

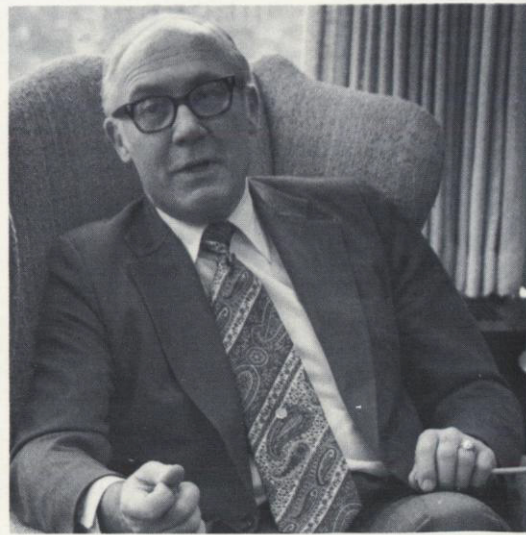
What's behind this surge in growth?

We see three forces at work. With more large companies coming in, there'll be more rapid growth in our large commercial and industrial sales.

There's a shift to electrical energy. The



New buildings provide modern office space for growing concentration of business headquarters in our service area.



steel companies are putting in electric furnaces. Apartment and housing developments are going to electric heating. These shifts are for economic reasons relating to costs and shortages.

Third, the concern with energy problems is creating new demand—and environmental problems also create new uses. In the short run, we expect more demand for electrical energy—simply because gas and oil may not be available.

Controlling pollution takes electricity. In 1973, of all new business committed for construction, environmental uses accounted for 17.5 percent. Refineries producing low-lead gasoline use a lot more electricity.

These environmental uses now account for 7.2 percent of our total sales. We expect these sales to double in the next ten years.

What would a prolonged shortage of fuels do to this economic picture?

There's no doubt that the crisis will seriously slow the national economy. It will create unemployment and slow growth. That will, of course, back up on us.

We in this department, Commercial Operations, deal with all customers, small and large. Our emphasis now is wholly on keeping them as satisfied as we can. The function of building sales is really gone. We do have a surge of demand now for electric space heating. Builders find they can't get gas or oil and they turn to us. We welcome that. It uses capacity that otherwise might not be used except

in the summer peak. It's an efficient, and profitable, use of our facilities.

More and more, we're helping to conserve power.

We try to educate residential customers by mail. With supplies curtailed on the gas system, our big effort is to see that customers have enough to go around. We send people to our large users, say manufacturing plants, to help them be sure their boilers are running efficiently. It's amazing what can be done with just a good cleaning.

Our big thing, this year, has been a long-term campaign to improve the efficiency of air conditioners.

Philadelphia Electric was the first utility to do this successfully.

You see, the manufacturers have turned out air conditioners in a wide range of efficiencies. We worked with Philadelphia dealers to promote the efficient units. We ran classes for their salesmen. Our people went into their showrooms to put tags on the efficient units.

What kind of results do you expect?

This kind of conservation will be good for everyone. It will save money for the customers. It will save fuel. In the long run, it will reduce our need to build new capacity simply to meet those summer peaks. We think that in seven years—that's about the life of an air conditioner—we will substantially improve efficiency throughout the area. So everybody wins.

For 1974, the big thing will be our orientation to the fuel crisis. We'll be helping our customers across the board to adjust to it. Helping all we can.

How do you see rising costs affecting the picture?

We have seen energy costs go up at an unbelievable rate. Oil that cost \$4 a barrel two years ago is now \$8—and still going up. The cost increases in the end flow through to our customers.

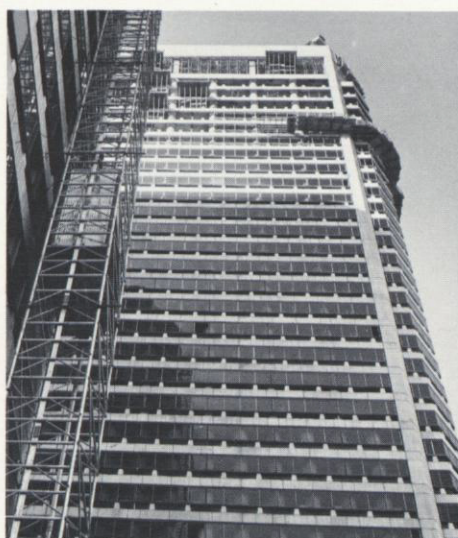
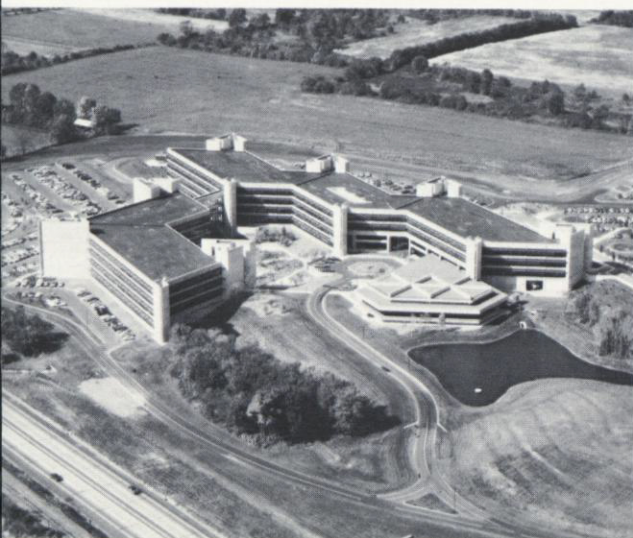
But we expect this to have a comparatively small effect—at least in the next few years.

This is because electrical energy is a small factor for most users. For a manufacturer, it may be less than 1 percent of the value of his product. For a residential user, it is 1.6 percent of his budget.

People's needs are also more or less fixed. If businesses are going to operate, they need power. At home, the big uses are for refrigerators, freezers, furnace motors—devices that run automatically and that people can't do without.

That's a problem in itself. It helps to turn off lights and to conserve wherever we can. But the possible savings are small. The big savings can only be made in things essential to the way we work and live. Any serious curtailment of electricity inevitably cuts into our economic life.

So our job is very clear. It's to help our customers make the very best use they can of the energy we supply. Fortunately, we can use fuel resources—nuclear and coal—that most people can't use.



SHORTAGES ACROSS THE BOARD

Mr. Myers, shortages must be a critical problem for you?

We see shortages throughout the Company. We are the purchasing agents and also handle general services for the Company. One critical area is construction. Our power plant contractors report that many, many of their materials are critical—everything from reinforcing bars to heat exchangers. The shortage of steel threads through all of these problems.

The shortages cause delays—and delays are costly. This is especially true in construction of generating stations—some of which are two or three years behind schedule. The cost of this—when you consider all the opportunities people lose and the other related losses—is almost beyond comprehension.

How do you overcome these shortages—won't they become worse?

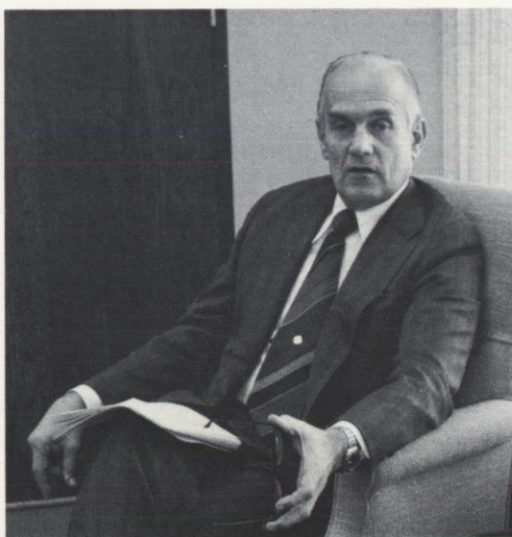
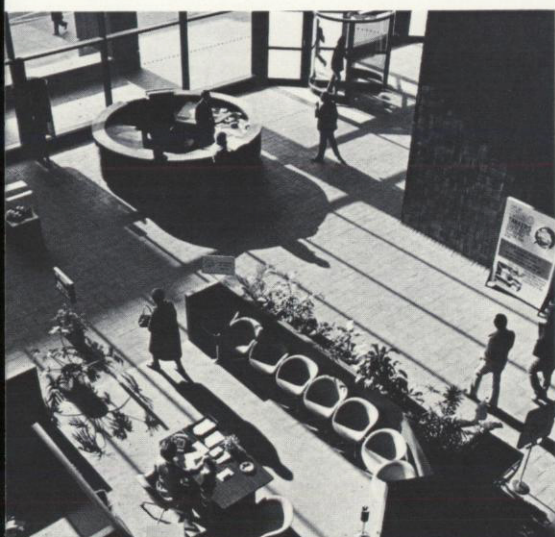
Our projections don't show immediate improvement. We plan ahead as far as we reasonably can. We try to find substitute materials and to change as markets change. We committed ourselves last fall, for example, for all the distribution transformers that we expect to need in 1974. We have already placed orders for transformers we will need in 1975.

The fuel problems are the most difficult, aren't they?

The management of Company buildings, transportation, and stores are important service functions.

(Below) Lobby of new Philadelphia headquarters building.

(Right) Truck maintenance at Berwyn transportation center.



It has never been so difficult to purchase fuel at a reasonable price. Oil has been a great problem, as everyone knows. Getting coal has been almost as difficult—and prices have soared.

We wanted to have 700,000 tons of coal in inventory as we went into the winter. But we fell below that, fell below 500,000 tons, in fact. Beyond simply maintaining our inventory, we want to have coal on hand so that we can convert some of our plants if authorities direct us to. But we cannot get the coal.

Do shortages affect your own operations?

Yes, we are the managers for all Philadelphia Electric buildings except the power stations and gas plants. Being in the business, we should be leaders in conserving energy.

Early in the fall we reduced thermostat settings to 68 degrees by day and less at night. We reduced outdoor and decorative lighting. We rearranged cleaning schedules to minimize lighting requirements at night. We put a 50 mile an hour maximum speed limit on Company vehicles and did whatever else we could to conserve gasoline.

You are concerned about sites for power plants are you not?

Yes, our real estate division is responsible for land acquisition—and today power plant sites have to be acquired years in advance. We have to be ingenious in finding land for routing transmission lines. An area can't develop

without electric power so we work with many local planning groups to locate lines and substations. Often we try to make multiple use of a corridor of land. We've built many lines coming into Philadelphia over railroad tracks.

The big thing for us this year, though, will be the nuclear power plants. Having these on the line will save millions of barrels of oil—and they will provide very reliable power to the area.



(Below center) Assembling materials at Berwyn central stores headquarters.



THE COUNSEL'S VIEW

Mr. Bauer, we hear a great deal about licensing problems these days.

It's one of our major activities. It's all important now to get those nuclear plants into operation. We received the operating license on Peach Bottom Two late in 1973. We expect the operating license on Peach Bottom Three in the spring of 1974.

There are two major kinds of licenses, you know. First you need approval to build the plant, then approval to operate it. We're working hard to get the construction license for Limerick so that we can move ahead on that job. We're hopeful that we'll get it early in 1974.

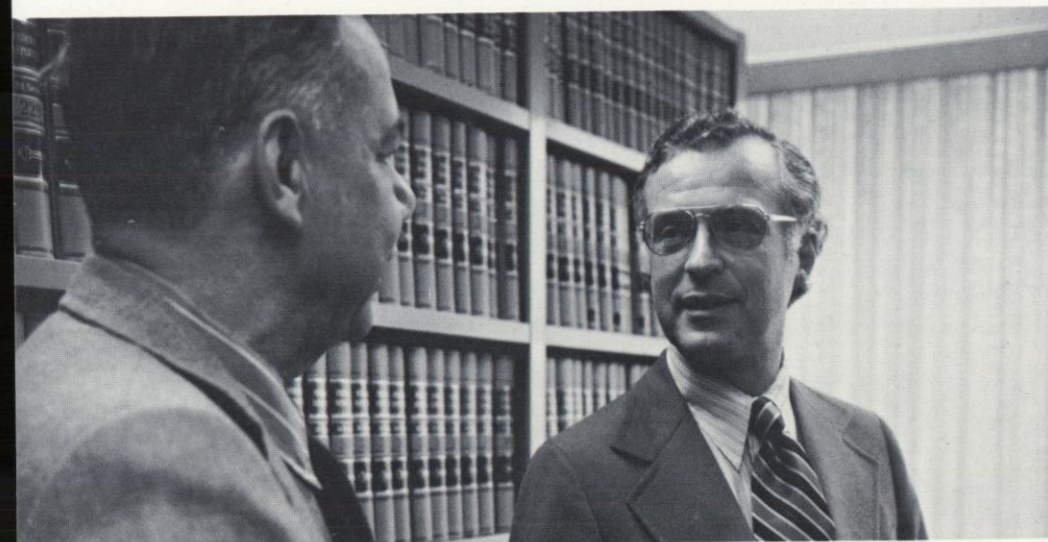
The negotiations on these licenses are very complex. You can literally go years in coming to agreements on the question of river water—how it is to be used, how it is shared among the states.

Our second major activity is getting rate increases. No one likes to go for rate increases, of course, but we must do it if we are to stay in business.

In the last five years, we've had three increases on electrical service, one on gas, and four on steam. We've obtained an adjustment that will cover increases in any kind of fossil fuel. As I say, we don't like to do it. No one likes higher prices. We don't like it in particular because the industry in the past went for decades without raising its rates.

Peach Bottom—the two units—involves more than \$100 million in investment for facilities to control pollution. The State of Pennsylvania through county authorities provides low cost tax exempt financing for pollution control facilities.

In a company as complex as this one—and our work cuts across it—there are always new problems. They become a way of life.



CHANGING WORLD, CHANGING PEOPLE

Mr. Bryans, yours is a very broad area and one in which a good deal is happening, isn't it?

Yes, in public relations, we're being flooded with inquiries on the fuel crisis. Whether we like it or not now, we have to, as they say, tell it like it is. Today, newscasters expect quick answers. We're being bombarded with questions day and night.

So we are being asked to tell a lot more about ourselves, and we ourselves are doing more. Our series of television commercials, where we talked about the possibility of oil supplies being cut off and about our reserve of coal at Eddystone, looks almost prophetic now. That's the biggest new thing we've done in public relations.

We're also trying to promote the acceptability of nuclear plants—and our information centers and speakers bureaus have helped materially in doing just that.

Personnel work must also be changing very rapidly.

Well, we have about ten thousand employees. We like to think we have good relations with them, and I think we do. We have tried over many years to select them carefully. We have tried to maintain a stable group of employees—to have just the people we needed and no more than we needed, to pay them as well as we can afford to, and to avoid letting them go. If we have to reduce our numbers, we do it by attrition. The result, I think, is that we have a very fine group of people doing a number one job.

Many of our jobs are becoming more complex and require more training. So we're doing more than we ever did before to train people. Generally, though, we are requiring that people get a rounded experience and a broader combination of skills. We try to see that an employee doesn't have to settle down into one job classification but has the opportunity for greater mobility. We offer transfers to give employees a broader background so that they are better qualified to move up when the time comes.

Do you see changes in the kind of people coming into the Company?

Yes, but it is a little hard to say how they are different. Certainly the younger people look differently at the world than my generation did. That makes it more important to keep communications open. We've always had grievance procedures so that employees could reach the upper echelons of management when they wanted to be heard. Now we work harder than ever at that.

I should also say that in 1973 we entered into a consent decree with the Justice Department to provide better opportunities for minority groups. That resulted in two important things. We're opening new tracks through transfers and promotions. At the same time, we have preserved the traditional opportunities for all of our employees.

How are the new technologies going to change the future?

It seems to me that technology will bring about several changes. We're already seeing it, particularly with the nuclear plants and with computers. It will mean that our needs for people with better educations and broad experience will expand. It will also mean that some of the old skills will become obsolete.

We're trying now, for example, to find places in the Company for some of our employees who once concentrated on selling appliances. They're people-oriented. Many of them have moved over to customers service work, which is also people-oriented. That's worked rather well, I think. We are constantly moving people from areas where opportunities are limited to other areas where opportunities are expanding.

So we'll be paying a lot of attention to moving people, transferring them, educating them. There'll be no end to it.

I've felt for many years that the real strength of our Company lies in the fact that we have a fine group of capable and dedicated employees. They've been responsible for our past successes. I believe they're fully able to meet the emergencies and new problems we'll face in the future.



CONSOLIDATED STATEMENT OF INCOME

Philadelphia Electric Company and Subsidiary Companies

For the Year Ended December 31

		1973	1972
		(Thousands of Dollars)	
Operating Revenue	Electric.....	\$ 646,758	\$ 574,431
	Gas.....	100,508	93,286
	Steam.....	19,392	17,321
	Total Operating Revenue	766,658	685,038
Operating Expenses	Operation.....	392,729	331,927
	Maintenance.....	58,742	55,461
	Depreciation.....	64,271	60,515
	Provision for Taxes		
	Federal Income Taxes.....	24,335	23,541
	State and Local Income Taxes.....	7,608	7,890
	Deferred Income Taxes.....	9,601	7,306
	Investment Tax Credit Adjustments, net.....	3,596	1,870
	Taxes, Other than Income.....	57,353	52,980
	Total Operating Expenses	618,235	541,490
	Operating Income	148,423	143,548
Other Income	Allowance for Funds Used During Construction.....	58,743	42,450
	Taxes on Other Income.....	3,374	(435)
	Other, net.....	2,643	196
	Total Other Income	64,760	42,211
Income Before Interest Charges		213,183	185,759
Interest Charges	Long-Term Debt.....	84,837	73,383
	Short-Term Debt.....	5,479	4,402
	Total Interest Charges	90,316	77,785
Net Income		122,867	107,974
Dividends on Preferred Stock		27,600	21,558
Earnings Applicable to Common Stock		\$ 95,267	\$ 86,416
Shares of Common Stock—Average		47,846,776	41,505,013
Earnings Per Average Share (Dollars)		\$1.99	\$2.08
Dividends Per Share (Dollars)		\$1.64	\$1.64

The notes and schedules to financial statements are an integral part of this statement.

"I've felt for many years that the real strength of our Company lies in the fact that we have a fine group of capable and dedicated employees."

Henry T. Bryans, Vice President
Personnel and Public Relations

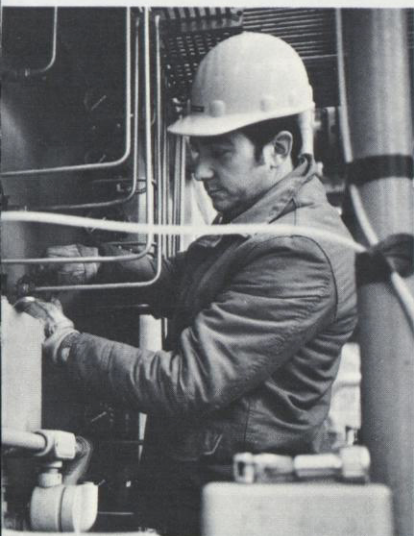


CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Philadelphia Electric Company and Subsidiary Companies

		For the Year Ended December 31	
		1973	1972
		(Thousands of Dollars)	
Source of Funds	Net Income.....	\$122,867	\$107,974
	Charges to Income Not Affecting Funds		
	Depreciation.....	64,271	60,515
	Deferred Income Taxes, net.....	9,601	7,306
	Investment Tax Credit Adjustments, net.....	3,596	1,870
	Funds Provided from Operations	200,335	177,665
	Sale of:		
	Long-Term Debt.....	100,000	140,000
	Preferred Stock.....	75,000	75,000
	Common Stock.....	149,264	94,284
	Increase in Notes Payable, net.....	43,922	54,543
	Decrease in Working Capital†.....	17,122	508
	Other, net.....	3,477	3,589
	Total	\$589,120	\$545,589
Use of Funds	Additions to Utility Plant (Including allowance for funds used during construction)	\$494,187	\$399,676
	Dividends on Common Stock.....	78,350	67,735
	Dividends on Preferred Stock.....	28,056	22,046
	Retirement of Long-Term Debt.....	14,290	18,130
	Pollution Control Funds Held by Trustee.....	(25,763)	38,002
	Total	\$589,120	\$545,589
†Increases (Decreases) in Working Capital (Excluding Notes Payable and Pollution Control Funds Held by Trustee)			
	Accounts Receivable.....	\$ 3,526	\$ 9,194
	Accounts Payable and Dividends Declared.....	(17,830)	(8,827)
	Taxes Accrued.....	303	3,876
	Other, net.....	(3,121)	(4,751)
	Total	\$ (17,122)	\$ (508)

The notes and schedules to financial statements are an integral part of this statement.



CONSOLIDATED BALANCE SHEET

Philadelphia Electric Company and Subsidiary Companies

		December 31	
		1973	1972
		(Thousands of Dollars)	
ASSETS			
Utility Plant, at original cost	Electric.....	\$2,179,254	\$2,064,307
	Gas.....	261,727	256,430
	Steam.....	41,998	39,850
	Common, used in all services.....	111,842	111,042
	Construction Work in Progress.....	1,077,312	751,014
		<u>3,672,133</u>	<u>3,222,643</u>
	Less: Accumulated Depreciation.....	665,425	624,244
		<u>3,006,708</u>	<u>2,598,399</u>
Nonutility Property and Other Investments.....		<u>11,474</u>	<u>9,463</u>
Current Assets	Cash.....	13,916	10,174
	Special Deposits.....	1,067	6,950
	Pollution Control Funds Held by Trustee.....	12,239	38,002
	Temporary Cash Investments.....	1,190	696
	Accounts Receivable		
	Utility Customers.....	58,054	55,762
	Merchandising and Jobbing.....	10,397	11,948
	Other.....	7,178	4,393
	Materials and Supplies, at average cost		
	Operating and Construction.....	21,522	19,892
	Fuel (Coal and Oil).....	17,564	17,956
	Merchandise for Sale.....	1,132	997
	Prepayments.....	3,764	2,753
		<u>148,023</u>	<u>169,523</u>
Deferred Debits.....		<u>9,858</u>	<u>7,510</u>
Total		<u>\$3,176,063</u>	<u>\$2,784,895</u>

The notes and schedules to financial statements are an integral part of this statement.



		December 31	
LIABILITIES		1973	1972
		(Thousands of Dollars)	
Capitalization	Stockholders' Equity		
	Preferred Stock—See Schedule, page 30.....	\$ 412,020	\$ 337,472
	Common Stock—See Schedule, page 30.....	771,765	622,501
	Other Paid-In Capital.....	1,244	1,214
	Retained Earnings.....	286,230	270,971
		<u>1,471,259</u>	<u>1,232,158</u>
	Long-Term Debt (Including amounts due within one year) —See Schedule, page 30	1,386,469	1,300,759
		<u>2,857,728</u>	<u>2,532,917</u>
Current Liabilities	Notes Payable		
	Bank Loans.....	83,500	41,100
	Commercial Paper.....	64,232	62,710
	Accounts Payable.....	55,961	36,699
	Taxes Accrued		
	Federal Income.....	3,587	6,497
	Other.....	14,539	11,932
	Interest Accrued.....	21,870	18,066
	Dividends Declared.....	11,403	12,835
	Other.....	5,476	5,422
		<u>260,568</u>	<u>195,261</u>
Deferred Credits	Accumulated Deferred Income Taxes.....	39,692	30,091
	Accumulated Deferred Investment Tax Credits.....	11,860	8,264
	Other.....	1,760	2,492
		<u>53,312</u>	<u>40,847</u>
Operating Reserves.....		<u>4,455</u>	<u>3,237</u>
Contributions in Aid of Construction.....		—	12,633
	(Transferred to Utility Plant accounts in 1973)		
	Total	<u>\$3,176,063</u>	<u>\$2,784,895</u>



CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Philadelphia Electric Company and Subsidiary Companies

For the Year Ended December 31

1973 1972

(Thousands of Dollars)

Balance, January 1	\$270,971	\$254,734
Net Income (from page 24)	<u>122,867</u>	<u>107,974</u>
	<u>393,838</u>	<u>362,708</u>
Cash Dividends Declared		
Preferred Stock	28,056	22,046
Common Stock	78,350	67,735
Expenses of Capital Stock Issues	<u>1,202</u>	<u>1,956</u>
	<u>107,608</u>	<u>91,737</u>
Balance, December 31	<u>\$286,230</u>	<u>\$270,971</u>

The notes and schedules to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS—THOUSANDS OF DOLLARS

1. SIGNIFICANT ACCOUNTING POLICIES

General. All utility subsidiary companies of Philadelphia Electric Company are wholly-owned and are included in the consolidated financial statements. The accounts are maintained in accordance with the uniform system of accounts prescribed by the regulatory authorities having jurisdiction.

Increased Rates. Rate increases are reflected in revenues and billed from dates authorized or permitted to become effective by regulatory authorities.

Allowance for Funds Used During Construction. Allowance for funds used during construction, an item of non-operating income, is defined in the applicable regulatory system of accounts as "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate upon other funds when so used." This allowance of \$58,743 for 1973 and \$42,450 for 1972 is included as a cost of construction in the plant accounts and as "Other Income" in the Consolidated Statement of Income for financial reporting purposes; however,

for income tax purposes, this allowance is not included in taxable income. The effect on income taxes, to the extent not offset by a related reduction in depreciation expense for tax purposes, is reflected in income.

As of October 1, 1973, the rate used in determining the allowance was reduced from 8 to 7½ percent representing a "net after-tax rate," in conformance with an order of the Pennsylvania Public Utility Commission whereby income tax reductions arising from interest charges associated with debt used to finance construction are allocated to non-utility income. Income tax reductions allocated from operating expenses to taxes on non-utility income were \$4,748 for October through December 1973.

The estimated portions of the allowance attributable to funds provided by common stock equity were equivalent to 21 percent and 19 percent of earnings applicable to common stock in 1973 and 1972, respectively.

Depreciation and Income Taxes. For financial reporting purposes, depreciation is provided over the estimated service lives of the plant on a straight-

line basis. Higher depreciation deductions are taken for tax purposes based on the use of a liberalized method of computing depreciation and of shorter lives permitted by the Internal Revenue Service. Prior to 1971 the resultant tax deferrals flowed through to income, however, beginning in 1971 the Company normalizes the effect of the tax deferrals resulting from the liberalized method of computing depreciation and shorter lives on current property additions, which increase capacity, in accordance with the regulatory treatment for rate-making purposes.

Accumulated deferred income taxes at December 31, 1973, consists of (1) \$23,884 (includes tax deferrals of \$10,707 in 1973 and \$8,412 in 1972) resulting from higher depreciation deductions for tax purposes than those used for financial reporting purposes on plant additions since 1970, which will be credited to income in years when depreciation deductions for financial reporting purposes exceed those deductible for tax purposes, and (2) \$15,808 resulting principally from tax amortization of plant pursuant to certificates of necessity which is being credited to in-

come (\$1,106 in 1973 and 1972) over periods prescribed by the regulatory authorities.

The Companies' effective income tax rates for financial reporting purposes were 25.4 percent and 27.5 percent in 1973 and 1972, respectively. These were less than the 48 percent federal statutory rate due to the following differences between tax and book income:

	<u>1973</u>	<u>1972</u>
Incr. (Decr.) in Effective Tax Rate due to:		
Allowance for funds used during construction.....	(17.1%)	(13.7%)
Excess of tax depreciation over book depreciation not normalized.....	(4.9)	(6.2)
State and local income taxes, including portion deferred, net of federal income tax benefits.....	3.6	3.9
Amortization of investment tax credits.....	(1.0)	(1.5)
Other miscellaneous differences.....	(3.2)	(3.0)
Total Incr. (Decr.)	<u>(22.6%)</u>	<u>(20.5%)</u>

Investment Tax Credit. Federal income tax expense reflects reductions for investment tax credits which were deferred by equivalent charges to income of \$5,294 in 1973 and \$4,065 in 1972. Amortization of such tax credits and those deferred in prior years are being credited to income, \$1,698 in 1973 and \$2,195 in 1972, over a five-year period for credits deferred prior to 1971 and over the life of the plant for credits thereafter.

2. OTHER TAXES

Taxes, other than income taxes, charged to operating expenses were as follows:

	<u>1973</u>	<u>1972</u>
Gross Receipts.....	\$33,129	\$29,531
Capital Stock.....	10,595	11,572
Realty.....	7,138	6,755
Other, principally social security.....	6,491	5,122
	<u>\$57,353</u>	<u>\$52,980</u>

3. NUCLEAR FUEL

In June 1973, the Company, as the operating company of the Peach Bottom Atomic Power Station Units Nos. 2 and 3, jointly owned by the Company (42.49%), Public Service Electric and Gas Company (42.49%), Atlantic City Electric Company (7.51%) and Delmarva Power & Light Company (7.51%), executed a nuclear fuel procurement agreement and a nuclear energy contract with an independent fuel company which will acquire and own up to a maximum of \$120,000 of nuclear fuel at any one time and sell the energy therefrom to the Company until the contract is terminated by the parties. Under a separate agreement, the owners are obligated to bear their proportionate share of all costs under the agreement and contract. Pursuant to the agreement and contract, the Company and the other owners sold to the fuel company, at book value, their interests in the nuclear fuel on hand as of June 30, 1973. The Company's 42.49 percent share of nuclear fuel owned by the fuel company amounted to \$42,470 at December 31, 1973. The charge to expense for nuclear energy cost will be based upon the number of units of thermal energy produced in any period as they relate to the estimated total thermal units to be produced over the estimated four-year life of the fuel.

Nuclear fuel currently being purchased for the Salem and Limerick generating plants under construction aggregating \$25,602 at December 31, 1973, is included in construction work in progress.

4. NOTES PAYABLE

The average rate of interest on short-term borrowings at December 31, 1973, was 9.75 percent for bank loans and 9.15 percent for commercial paper. Proceeds from sale of \$125,000 First and Refunding Mortgage Bonds, 8½% Series, on January 16, 1974, were used for repayment of all bank loans and a portion of the commercial paper outstanding at December 31, 1973. The Company generally does not have formal compensating balance arrangements with banks. The Company maintains deposits with banks for working funds for normal operations.

5. EMPLOYEE RETIREMENT PLAN

The Companies have a noncontributory service annuity plan applicable to all regular employees. The annuities are determined under a formula which is applied uniformly to all employees regardless of position, and the amount depends on length of service and compensation earned to normal retirement age. The annuities are paid out of an irrevocable trust fund, to which the Companies make annual contributions sufficient to meet actuarial requirements. The most recent actuarial study, which takes market appreciation of equity securities into consideration, indicates that the requirement for prior service costs is approximately fully funded. Contributions by the Companies for future annuities aggregated \$8,638 in 1973 and \$8,020 in 1972 of which approximately 26 percent associated with construction labor was included in the cost of new utility plant.

6. COMMITMENTS AND CONTINGENT LIABILITIES

The Companies have incurred substantial commitments in connection with their construction program. Construction expenditures for 1974 are estimated to be \$540,000.

In 1971, the Company entered into a 25-year noncancelable lease agreement for combustion turbine generators costing approximately \$40,000, at an annual average rental of \$3,800. In 1973, the Company entered into a facilities agreement with another utility for the purchase of a share of the capacity and output of certain generation facilities at a monthly rental of \$535 for the period August 1973, through April 1975.

Rentals charged to operating expenses were \$12,549 in 1973 and \$8,676 in 1972.

Minimum lease commitments as of December 31, 1973, under all noncancelable leases are \$11,000 for 1974, \$6,700 for 1975, \$4,300 for 1976 and 1977, \$4,200 for 1978, \$23,400 for 1979-83, \$26,700 for 1984-88 and 1989-93, and a remainder of \$16,600. (Excludes \$42,470 and carrying charges related to a nuclear energy contract—see Note 3.)

SCHEDULE OF CAPITAL STOCK—DECEMBER 31, 1973

Philadelphia Electric Company and Subsidiary Companies

Preferred Stock (\$100 par) cumulative:

Series	Redemption Price (A)	Number of Shares		Amount (Thousands of Dollars)
		Authorized	Outstanding	
8.75%.....	\$110.00	650,000	650,000	\$ 65,000
7.85%.....	108.00	500,000	500,000	50,000
7.80% (Sold 1972 at \$100 per share) ..	108.00	750,000	750,000	75,000
7.75%.....	108.00	200,000	200,000	20,000
7.325% (Sold 1973 at \$100 per share) .	107.00	750,000 (B)	750,000	75,000
7%.....	107.00	400,000 (C)	395,485	39,548
4.68%.....	104.00	150,000	150,000	15,000
4.4%.....	112.50	274,720	274,720	27,472
4.3%.....	102.00	150,000	150,000	15,000
3.8%.....	106.00	300,000	300,000	30,000
Unclassified.....		875,280	—	—
Total Preferred Stock.....		5,000,000	4,120,205	\$412,020
Common Stock—no par (D).....		65,000,000	52,380,564	\$771,765

(A) Redeemable, at the option of the Company, at the indicated dollar amounts per share, plus accrued dividends.

(B) 30,000 shares to be redeemed annually at \$100 per share commencing May 1, 1979.

(C) The Company purchased 4,515 shares of 7% preferred stock at an aggregate cost of \$422 in 1973 and applied such shares as a reduction of the Company's sinking fund obligation of 8,000 shares to be redeemed annually beginning February 1, 1974. The excess of aggregate par value of such shares (\$30) is reflected in Other Paid-In Capital.

(D) The Company sold 4,591,494 shares for \$94,284 in 1972 and 7,651,873 shares for \$149,264 in 1973. At December 31, 1973 there were 234,513 shares reserved for issuance under the Employee Stock Purchase Plan and 500,000 shares under the Dividend Reinvestment Plan.

SCHEDULE OF LONG-TERM DEBT—DECEMBER 31, 1973

Philadelphia Electric Company:

First and Refunding Mortgage Bonds (A):

Series	Due	Amount (Thousands of Dollars)	Series	Due	Amount (Thousands of Dollars)	Series	Due	Amount (Thousands of Dollars)
2¾% 1974.....		\$65,000	3½% 1983.....		\$20,000	9% 1995.....		\$ 80,000
6¼% 1975-76.....		19,500	3½% 1985.....		50,000	8¼% 1996.....		80,000
8% 1975.....		80,000	4¾% 1986.....		50,000	6¼% 1997.....		75,000
8½% 1976.....		46,700	4¾% 1987.....		40,000	7½% 1998.....		100,000
5¾% 1977.....		34,000	3¾% 1988.....		40,000	7½% 1999.....		100,000
2¾% 1978.....		25,000	5% 1989.....		50,000	7¾% 2000.....		80,000
2¾% 1981.....		30,000	6½% 1993.....		60,000	7¾% 2001.....		80,000
3¼% 1982.....		35,000	4½% 1994.....		50,000			1,290,200
Sinking Fund Debentures.....						4.85% 1986.....		30,282
Pollution Control Note.....						5.5% 1974-97.....		40,000
						Total Philadelphia Electric Company.....		1,360,482

Philadelphia Electric Power Company—a subsidiary:

First Mortgage Bonds.....	2¾% 1975.....	987
Sinking Fund Debentures.....	4½% 1995.....	25,000
Total Long-Term Debt.....		\$1,386,469 (B)

(A) On January 16, 1974 \$125,000, 8½% Series due 2004, were sold at a net cost to the Company of 8.498 percent.

(B) Includes \$67,328 due within one year to meet bond maturities and sinking fund requirements.

REPORT OF ACCOUNTANTS

To Shareholders and the Board of Directors,
Philadelphia Electric Company,
Philadelphia, Pennsylvania

We have examined the consolidated balance sheet of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1973, the related statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the companies for the year 1972.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Philadelphia Electric Company and Subsidiary Companies at December 31, 1973 and 1972, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

1900 Three Girard Plaza,
Philadelphia, Pennsylvania,
February 6, 1974

COOPERS & LYBRAND

FINANCIAL STATISTICS

Summary of Earnings (millions of dollars)

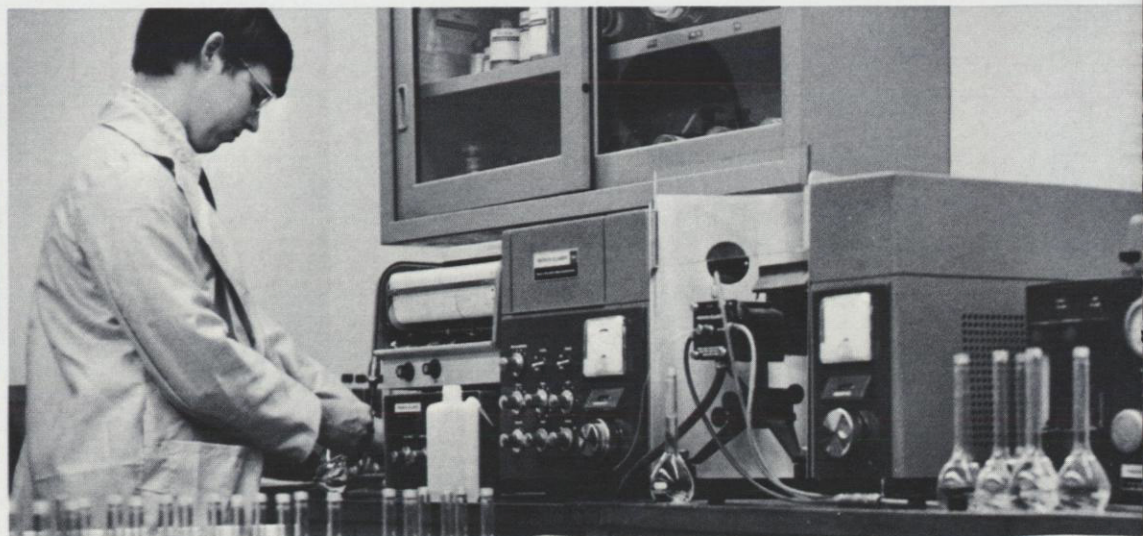
	1973	1972	1971	1970	1969	1968	1963
Operating Revenue (for details see pages 32 and 33)	\$766.6	\$685.0	\$608.1	\$504.4	\$440.5	\$405.2	\$314.4
Operating Expenses							
Labor	125.6	120.4	108.8	103.0	93.9	86.3	67.5
Fuel and Energy Interchanged	260.3	212.0	189.8	137.3	110.0	102.4	72.5
Other Materials, Supplies, and Services	65.5	55.0	45.2	42.6	32.2	29.3	24.1
Total Operation and Maintenance	451.4	387.4	343.8	282.9	236.1	218.0	164.1
Depreciation	64.3	60.5	55.9	53.9	49.3	45.4	33.6
Taxes	102.5	93.6	80.8	59.9	53.8	49.6	47.7
Total Operating Expenses	618.2	541.5	480.5	396.7	339.2	313.0	245.4
Operating Income	148.4	143.5	127.6	107.7	101.3	92.2	69.0
Other Income							
Allowance for Funds Used During Construction	58.7	42.5	31.7	18.5	7.9	4.1	1.5
Taxes on Other Income	3.4	(0.4)	(1.7)	0.2	—	(0.6)	0.2
Other, net	2.7	0.2	3.2	—	0.1	6.1	—
Total Other Income	64.8	42.3	33.2	18.7	8.0	9.6	1.7
Income Before Interest Charges	213.2	185.8	160.8	126.4	109.3	101.8	70.7
Interest Charges							
Long-Term Debt	84.8	73.4	60.9	50.3	38.2	33.6	19.5
Short-Term Debt	5.5	4.4	6.3	7.7	6.8	2.6	1.0
Total Interest Charges	90.3	77.8	67.2	58.0	45.0	36.2	20.5
Net Income	122.9	108.0	93.6	68.4	64.3	65.6	50.2
Dividends on Preferred Stock	27.6	21.6	15.3	8.6	5.9	3.7	3.7
Earnings Applicable to Common Stock	95.3	86.4	78.3	59.8	58.4	61.9	46.5
Dividends on Common Stock	78.4	67.7	60.7	53.7	48.8	47.6	35.2
Earnings Retained	\$16.9	\$18.7	\$17.6	\$6.1	\$9.6	\$14.3	\$11.3
Earnings per Average Share (dollars)	\$1.99	\$2.08	\$2.10	\$1.84	\$1.97	\$2.13	\$1.71
Dividends Paid per Share (dollars)	\$1.64	\$1.64	\$1.64	\$1.64	\$1.64	\$1.64	\$1.29*

Summary of Financial Condition—December 31 (millions of dollars)

Assets	Utility Plant, at Original Cost	\$3,672.1	\$3,222.6	\$2,851.0	\$2,521.6	\$2,188.6	\$1,951.2	\$1,445.9
	Less: Accumulated Depreciation	665.4	624.2	585.7	549.5	514.2	491.4	355.2
	Total Utility Plant	3,006.7	2,598.4	2,265.3	1,972.1	1,674.4	1,459.8	1,090.7
	Nonutility Property and Other Investments	11.5	9.5	6.0	3.9	5.0	4.0	2.1
	Current Assets							
	Cash	13.9	10.2	12.3	13.9	13.0	11.4	12.3
	Pollution Control Funds Held by Trustee	12.2	38.0	—	—	—	—	—
	Accounts Receivable	75.6	72.1	63.0	50.8	44.1	41.3	24.8
	Materials and Supplies	40.2	38.8	34.2	33.6	29.1	26.0	21.2
	Other	6.1	10.4	14.9	12.1	5.6	5.9	6.0
	Deferred Debits	9.9	7.5	6.6	5.5	4.9	5.2	5.2
	Total Assets	\$3,176.1	\$2,784.9	\$2,402.3	\$2,091.9	\$1,776.1	\$1,553.6	\$1,162.3
Liabilities	Preferred Stock	\$ 412.0	\$ 337.5	\$ 262.5	\$ 192.5	\$ 127.5	\$ 87.5	\$ 87.5
	Common Stock	771.8	622.5	528.2	424.9	365.0	298.3	256.3
	Other Paid-In Capital	1.3	1.2	1.2	1.2	1.2	1.2	1.2
	Retained Earnings	286.2	271.0	254.7	239.5	235.4	227.4	156.5
	Total Stockholders' Equity	1,471.3	1,232.2	1,046.6	858.1	729.1	614.4	501.5
	Long-Term Debt	1,386.5	1,300.8	1,178.9	1,053.7	857.2	794.3	543.6
	Total Capitalization	2,857.8	2,533.0	2,225.5	1,911.8	1,586.3	1,408.7	1,045.1
	Current Liabilities							
	Bank Loans	83.5	41.1	1.8	14.6	50.1	26.1	38.2
	Commercial Paper	64.2	62.7	47.5	60.9	48.6	34.9	—
	Accounts Payable and Dividends Declared	67.4	49.5	40.7	42.7	30.7	25.0	15.0
	Taxes Accrued	18.1	18.4	22.3	9.4	8.4	7.2	19.7
	Other	27.3	23.6	20.7	18.4	16.2	14.6	10.1
	Deferred Credits	53.3	40.8	30.7	20.6	21.4	23.1	22.3
	Operating Reserves	4.5	3.2	1.1	1.8	3.0	2.9	2.8
	Contributions in Aid of Construction	—	12.6	12.0	11.7	11.4	11.1	9.1
	Total Liabilities	\$3,176.1	\$2,784.9	\$2,402.3	\$2,091.9	\$1,776.1	\$1,553.6	\$1,162.3

OPERATING STATISTICS

	1973	1972	1971	1970	1969	1968	1963
Electric Operations							
Output (millions of kilowatt-hours)							
Steam.....	18,536	20,181	19,849	19,446	20,020	17,865	13,511
Nuclear.....	176	97	206	137	130	124	—
Hydraulic.....	2,132	2,242	1,738	1,877	1,342	1,586	945
Pumped-Storage Output.....	1,318	1,430	1,639	1,829	1,733	1,429	—
Pumped-Storage Input.....	(1,876)	(2,018)	(2,302)	(2,523)	(2,395)	(1,971)	—
Purchase and Net Interchange.....	7,094	3,472	2,889	2,886	2,293	2,917	1,202
Internal Combustion.....	688	946	940	744	341	126	3
Other.....	27	1	86	45	5	33	—
Total Electric Output.....	28,095	26,351	25,045	24,441	23,469	22,109	15,661
Sales (millions of kilowatt-hours)							
Residential.....	7,493	6,856	6,649	6,381	5,812	5,330	3,613
Small Commercial and Industrial.....	2,663	2,503	2,428	2,365	2,293	2,256	1,823
Large Commercial and Industrial.....	14,953	14,011	13,296	12,970	12,663	11,961	8,143
All Other.....	1,192	1,136	1,085	1,097	1,105	1,075	1,068
Total Electric Sales.....	26,301	24,506	23,458	22,813	21,873	20,622	14,647
Number of Customers, Dec. 31							
Residential.....	1,103,163	1,090,921	1,079,585	1,070,312	1,060,376	1,034,393	953,662
Small Commercial and Industrial.....	118,009	118,522	119,203	120,034	120,997	136,917	150,989
Large Commercial and Industrial.....	5,663	5,645	5,517	5,465	5,359	5,204	4,331
All Other.....	2,207	2,163	2,130	2,101	2,045	2,009	1,891
Total Electric Customers.....	1,229,042	1,217,251	1,206,435	1,197,912	1,188,777	1,178,523	1,110,873
Operating Revenue (millions of dollars)							
Residential.....	\$254.4	\$222.7	\$198.3	\$161.7	\$135.0	\$121.3	\$89.5
Small Commercial and Industrial.....	97.5	88.1	78.6	66.3	58.9	56.5	49.2
Large Commercial and Industrial.....	257.5	228.6	198.2	158.4	138.2	126.2	94.5
All Other.....	37.4	35.0	31.6	26.1	23.2	21.9	19.0
Total Electric Revenue.....	\$646.8	\$574.4	\$506.7	\$412.5	\$355.3	\$325.9	\$252.2
Residential Sales							
Average Use per Customer (kilowatt-hours)....	6,829	6,317	6,187	5,990	5,557	5,187	3,815
Average Revenue per Kilowatt-hour.....	3.40¢	3.25¢	2.98¢	2.54¢	2.32¢	2.28¢	2.48¢
Electric Peak Load, Net Hourly Demand (thous. kw)							
Net Electric Generating Capacity (thous. kw) ...	6,650	6,348	6,366	5,564	5,115	5,111	3,410
Cost of Fuel per Million Btu.....	71.0¢	61.9¢	59.3¢	40.7¢	32.4¢	32.3¢	31.5¢
Btu per Net Kilowatt-hour Generated.....	10,523	10,666	10,782	11,079	11,009	10,867	10,428



Gas Operations

	1973	1972	1971	1970	1969	1968	1963
Sales (millions of cubic feet)							
Residential.....	2,317	2,418	2,441	2,454	2,376	2,341	2,313
House Heating.....	24,125	26,026	25,165	24,949	23,403	22,447	18,936
Commercial and Industrial.....	20,151	20,353	18,743	17,460	16,124	14,561	7,323
All Other.....	1,482	2,433	2,537	2,074	2,043	1,233	57
Total from Distribution System.....	48,075	51,230	48,886	46,937	43,946	40,582	28,629
Direct from Pipelines.....	16,325	18,808	19,446	20,950	23,685	20,989	16,959
Total Gas Sales.....	64,400	70,038	68,332	67,887	67,631	61,571	45,588

Number of Customers, Dec. 31

Residential.....	91,682	94,035	95,478	97,250	98,598	97,971	104,089
House Heating.....	163,096	159,780	154,902	149,800	145,879	140,792	122,645
Commercial and Industrial.....	20,518	20,312	19,778	19,063	18,491	21,078	15,280
Total Gas Customers.....	275,296	274,127	270,158	266,113	262,968	259,841	242,014

Operating Revenue (millions of dollars)

Residential.....	\$ 6.7	\$ 6.2	\$ 6.2	\$ 6.0	\$ 5.7	\$ 5.7	\$ 5.7
House Heating.....	51.3	48.4	45.8	43.1	39.6	38.0	32.5
Commercial and Industrial.....	30.4	26.7	24.0	21.1	18.7	17.0	8.8
All Other.....	1.2	1.5	1.4	1.2	1.1	0.6	0.1
Total from Distribution System.....	89.6	82.8	77.4	71.4	65.1	61.3	47.1
Direct from Pipelines.....	10.5	10.1	9.5	9.2	9.7	8.6	7.0
Other Revenue.....	0.4	0.4	0.4	0.4	0.3	0.3	0.3
Total Gas Revenue.....	\$100.5	\$93.3	\$87.3	\$81.0	\$75.1	\$70.2	\$54.4

Steam Operations

Sales (millions of pounds).....	7,762	8,328	8,223	8,172	7,905	7,578	6,136
Number of Customers, Dec. 31*.....	723	737	733	939	1,179	1,180	1,115
Total Steam Revenue (millions of dollars).....	\$19.4	\$17.3	\$14.2	\$10.9	\$10.1	\$9.1	\$7.8

*The reduction in customers in 1970 and 1971 reflects the phasing out and shutdown on October 15, 1971, of steam heating service (less than \$300,000 annual revenue) in the Borough of West Chester, Pa.

FISCAL AGENTS FOR STOCKS AND BONDS

PHILADELPHIA ELECTRIC COMPANY—Preferred and Common Stocks

Registrars
GIRARD BANK
One Girard Plaza, Philadelphia, Pa. 19101
CHEMICAL BANK
20 Pine Street, New York, N.Y. 10015

Transfer Agents
PHILADELPHIA ELECTRIC COMPANY
2301 Market Street, Philadelphia, Pa. 19101
MORGAN GUARANTY TRUST CO. of N.Y.
30 West Broadway, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—First and Refunding Mortgage Bonds

PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)—First Mortgage Bonds

Trustee
THE FIDELITY BANK
Broad & Walnut Streets, Philadelphia, Pa. 19109

New York Agent
MORGAN GUARANTY TRUST CO. of N.Y.
23 Wall Street, New York, N.Y. 10015

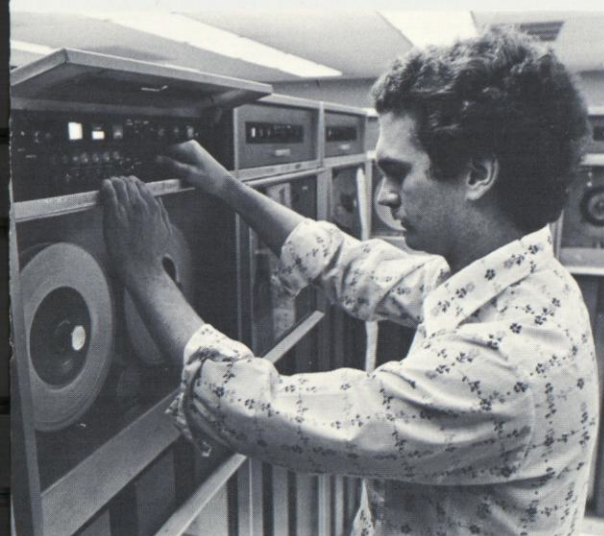
PHILADELPHIA ELECTRIC COMPANY—Sinking Fund Debentures

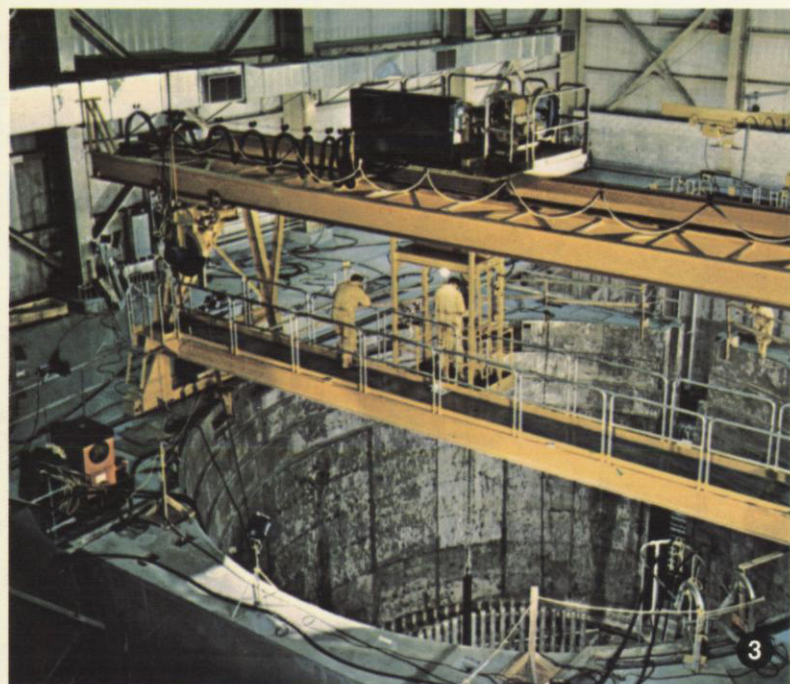
PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)—Sinking Fund Debentures

Trustee
THE PHILADELPHIA NATIONAL BANK
Broad & Chestnut Streets, Philadelphia, Pa. 19101

New York Agent
IRVING TRUST COMPANY
One Wall Street, New York, N.Y. 10015

All Philadelphia Electric Company securities, except the Sinking Fund Debentures and those series of First and Refunding Mortgage Bonds and Preferred Stock which were sold privately to institutional investors, are listed on the PBW Stock Exchange and the New York Stock Exchange. Philadelphia Electric Power Company Bonds and Debentures are listed on the PBW Stock Exchange.





FUEL-LOADING AT PEACH BOTTOM UNIT 2

The fuel-loading process takes place inside the reactor building at the Peach Bottom Atomic Power Station as Unit 2 nears completion. Fuel for the reactor is enriched uranium oxide pellets enclosed in 12-foot-long tubes. Forty-nine tubes bundled together make up a fuel assembly. The reactor's core consists of 764 fuel assemblies.

The loading process includes the verification of fuel assembly identification numbers (1) prior to their final inspection (2). The fuel is transferred from the fuel pool into the reactor core by using a grappling apparatus on a movable overhead platform (3). Each element is placed in its precise location in the reactor core (4). The top of the reactor vessel, a steel dome, is stored nearby awaiting the completion of the fuel loading (5).

PHILADELPHIA ELECTRIC COMPANY

